

SELF-INSURED HEALTH BENEFIT PLANS 2023
Based on Filings through 2020

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Advanced Analytical Consulting Group, Inc.

Daniel S. Levy, PhD
DanLevy@aacg.com

Yekuhn Zhou, MS
YekunZhou@aacg.com

SUMMARY

This document analyzes the funding mechanism of employer-sponsored health benefit plans that filed a *Form 5500 Annual Return/Report of Employee Benefit Plans* ("Form 5500") for reporting periods that ended in 2020. It compares fully insured, self-insured, and mixed-funded (funded through a mixture of insurance and self-insurance) health plans and presents selected historical series for the years 2011 through 2020. This document also uses publicly available corporate financial data for a subset of health plan sponsors, based on the financial data that is available from Bloomberg.

The analysis separates plans with at least 100 participants at the start of the reporting period ("large plans") from plans with fewer than 100 participants at the start of the reporting period ("small plans"). This is because generally, small plans are only required to file a Form 5500 if they operate a trust, which is associated with self-insurance. As a result, small plans in the analysis are a selective subset of small plans nationwide.

The primary findings for large plans are as follows:

- In 2020, 57,245 large health plans covered 78.2 million participants. The number of plans was up by 1.59% from 2019. However, the number of plan participants was down 0.81%
- In 2020, almost one-half (44.9%) of large plans were self-insured or mixed-funded, and those plans covered 81.7% of plan participants.
- At the plan level, the shares of self-insured (37.7%), mixed-funded (7.2%), and fully insured (55.1%) large plans were almost unchanged from 2019.
- In 2020, self-insured large plans covered 44.9% of large plan participants, mixed-funded plans covered 36.8%, and fully insured plans covered 18.3%. These participant-level shares are little changed from those in 2019.
- The prevalence of self-insurance among large plans generally increased with plan size. For example, 27.4% of plans with 100–199 participants were mixed-funded or self-insured in 2020, compared with 90.0% of plans with 5,000 or more participants. The pattern was similar in earlier years.
- Mixed funding is found primarily among very large plans. For example, 1.8% of plans with 100–199 participants were mixed-funded in 2020, compared with 42.1% of plans with 5,000 or more participants.
- As reported in Form 5500 filings, stop-loss coverage among large, self-insured plans declined from 22.2% in 2019 to 21.8% in 2020. Similarly, Mixed-funded large plans experienced a slight decline from 17.3% in 2019 to 16.9% in 2020. These figures likely understate the true prevalence of stop-loss insurance for large plans because Form 5500 filings do not require reporting of stop-loss insurance for the benefit of the sponsor (as opposed to the plan).
- Self-insurance rates varied by industry for large plans, with most participants employed by utilities, retail trade, or communications & information firms in a self-insured or mixed-funded plan.
- Large plans of for-profit and not-for-profit organizations differed mostly in mixed-funding and self-insurance. Mixed-funding was far more prevalent at for-profit entities than at not-for-profit firms, while self-insurance was less prevalent at for-profit entities than at not-for-profits.

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- We found no consistent evidence that the financial health of sponsors of large plans that were fully insured is better or worse than that of sponsors of large plans that were mixed-funded or self-insured.

For small plans that filed a Form 5500, the primary findings are as follows:

- Continuing their recent increases, the number of small plans that filed a Form 5500 rose by 78% from 9,450 in 2019 to 16,809 in 2020, covering about 220,000 participants. The inflow of small plans is mostly because a growing number of small plans with a trust appear to participate in a non-plan Multiple Employer Welfare Arrangement (MEWA).
- A large majority (97.2%) of small plans that filed a Form 5500 were self-insured, 1.7% were mixed-funded, and only 1.0% were fully insured. External sources of information about small plans, such as the Insurance Component of the Medical Expenditure Panel Survey (MEPS-IC), document far less self-insurance among small plans nationwide, underscoring the selective nature of small plans in our analysis due to exemptions from the Form 5500 filing requirements.
- Insofar as reported on Form 5500 filings, small plans were roughly twice as likely to have stop-loss coverage than large plans. Over time, stop-loss coverage among mixed-funded small plans has declined, while it rose among self-insured small plans.
- Most self-insured small plans are concentrated in the services and construction sectors.

In addition to group health plans discussed above, this report briefly characterizes Group Insurance Arrangements (GIAs), which by definition are fully insured. For 2020, 37 GIAs filed a Form 5500. They covered about 312,000 participants, were generally larger than group health plans, and were disproportionately in the finance, insurance, and real estate industries.

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1. INTRODUCTION

The 2010 Patient Protection and Affordable Care Act (ACA) (§1253) mandates that the Secretary of Labor prepare annual reports with general information on self-insured group health plans (including plan type, number of participants, benefits offered, funding arrangements, and benefit arrangements), as well as data from the financial filings of self-insured employers. The U.S. Department of Labor (DOL) engaged Advanced Analytical Consulting Group, Inc. (AACG) to assist with the ACA mandate. This document serves as an appendix to the Secretary's 2023 *Report to Congress*.

As required by the ACA, the primary data source for this document is the information provided to the DOL by health plan sponsors on *Form 5500 Annual Return/Report of Employee Benefit Plans* ("Form 5500") filings. This document also uses financial data for a subset of health plan sponsors that had publicly available financial data in Bloomberg.

This report is the thirteenth installment of a series that began with the 2011 Report to Congress. While the analysis has been refined over time, no major methodological changes affected the current report relative to last year's iteration. The presentation of this report is largely the same as the previous year, with a slight de-emphasis on the life-cycle analysis introduced last year.

The current report presents results for Form 5500 filings for plan years that ended in 2011–2020 (i.e., several years before and after the effective implementation of the ACA in 2014). For large plans, the primary findings for 2020 are similar to those for 2019. In contrast, the number of small plans that filed a Form 5500 increased sharply from 2019 to 2020, and the vast majority of them are self-insured.

Section 2 of this report describes Form 5500 and other data sources, including data quality, consistency issues, and the extent to which financial data were matched to health plan filings. Section 3 defines "funding mechanism" as used in this report. Section 4 presents the results of our data analysis for large health plans, and Section 5 discusses small plans. Section 6 briefly characterizes Group Insurance Arrangements (GIAs), and Section 7 concludes.

The views, opinions, and/or findings contained in this report should not be construed as an official Government position, policy, or decision, unless so designated by other documentation issued by the appropriate governmental authority.

2. DATA SOURCES

The quantitative analysis in this report is based on three data sources: Form 5500 group health plan filings, Internal Revenue Service (IRS) *Form 990 Return of Organization Exempt From Income Tax* ("Form 990") filings, and Bloomberg data with corporate financial records. This section discusses the data sources and the algorithms to match the three sources.

Form 5500 Filings of Health Benefit Plans

The ACA stipulates that the Secretary's Report to Congress on self-insured group health plans be based on Form 5500 filings. The Form 5500 Series was developed to assist employee benefit plans in satisfying annual reporting requirements under Title I and Title IV of the Employee Retirement Income Security Act (ERISA) and under the Internal Revenue Code. The Form 5500, including required schedules and attachments, collects information concerning the operation, funding, assets, and investments of pensions and other employee benefit plans, including welfare benefit plans.

Welfare benefits refer to health, disability, and any other benefits that are not pension benefits. Generally, companies file separate Forms 5500 for pension and welfare benefits. This report centers on health benefits only and is thus based on a subset of welfare benefit filings.¹

The Form 5500 consists of a main Form 5500, schedules and attachments, depending on the type of plan and its features. The main Form 5500 collects such general information as the name of the sponsoring employer, the type of benefits provided (pension, health, disability, life insurance, etc.), the effective date of the plan, and the number of plan participants, along with limited information on funding and benefit arrangements. If the plan sponsor provides some or all plan benefits through external insurance contracts, Form 5500 plan filings must include one or more Schedules A with details on each insurance contract (name of insurance company, type of benefit covered, number of persons covered, expenses, etc.). If the plan holds any assets in a trust, a Schedule H or Schedule I must be attached with financial information. Schedule H applies to large plans, whereas small plans may file the shorter Schedule I. Certain small plans may file a Form 5500-SF (Short Form) with less detailed information.²

¹ While this report only addresses health benefit information, the 2020 Form 5500 health plans may provide both health and other types of benefits (dental, disability, etc.).

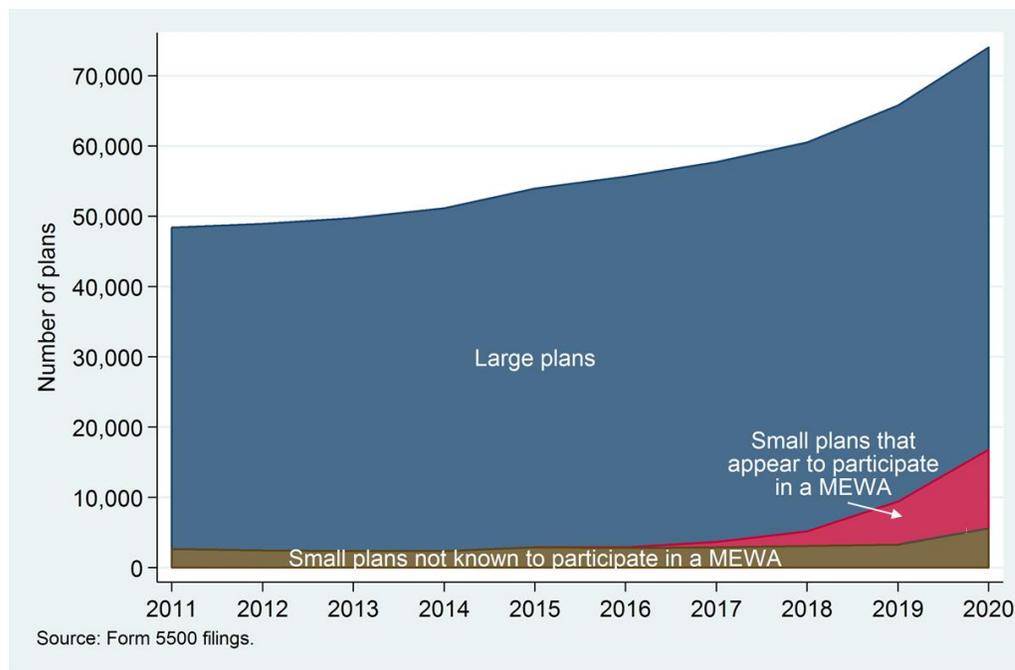
² To be eligible to use the Form 5500-SF, the plan must generally have fewer than 100 participants at the beginning of the plan year, meet the conditions for being exempt from the requirement that the plan's books and records be audited by an independent qualified public accountant, have 100% of its assets invested in certain secure investments with a readily determinable fair value, hold no employer securities, not be a multiemployer plan, and not be required to file a Form M-1, *Report for Multiple Employer Welfare Arrangements (MEWAs) and Certain Entities Claiming Exception (ECEs)* for the plan year (2020 Instructions for Form 5500-SF).

Non-ERISA plans, such as governmental plans and church plans, do not need to file a Form 5500 and are therefore not covered by the analysis in this report. Also, plans with fewer than 100 participants at the beginning of the plan year (“small plans”) are generally exempt from filing a Form 5500, except if they operate a trust or are a Multiple Employer Welfare Arrangement (MEWA) that is a single plan. As a result, more than 99% of small health benefit plans were not required to file a Form 5500 and so were not included in the report’s analysis.³ Therefore, small plans that filed a Form 5500 are not representative of small plans in the United States.

We believe our analysis covers nearly all large ERISA-covered plans in the United States because plans with 100 or more participants at the beginning of the plan year (“large plans”) are generally required to file a Form 5500. In contrast, small plans are generally exempt from filing a Form 5500 unless they hold assets in a trust, which is associated with self-insurance.

The number of small health benefit plans that filed a Form 5500 was approximately constant until 2016 and grew substantially in recent years through 2020—see Figure 1.

Figure 1. Number of Small and Large Health Benefit Plans That Filed a Form 5500 (2011-2020)⁴



³ In 2016, the DOL estimated that 2,158,000 health plans covered fewer than 100 participants (Federal Register Vol. 81, July 21, 2016, p. 47502). Based on participants at the beginning of the plan year, only 11,039 such plans (0.5%) filed a Form 5500.

⁴ Plan size is based on the number of participants at the beginning of the year.

Plans that participate in a MEWA, which is a vehicle to offer welfare benefits to the employees of two or more employers, appear to have driven the growth. A MEWA may or may not be a welfare benefit plan itself. If a MEWA is not a welfare benefit plan, Form 5500 filing requirements apply to individual employer plans that participate in the MEWA; otherwise, the MEWA itself may file a Form 5500.⁵ Based on their names, we identified 11,215 plans that appear to participate in eight non-plan MEWAs in 2020.⁶ Prior to 2016, we did not identify any non-plan MEWAs.

Form 5500 filings are almost universally available for large, ERISA-covered health benefit plans, while Form 5500 filings are only selectively available for small plans. Because these groups are so distinct, much of this report analyzes “large” and “small” plans separately.

Aside from amended filings, there were 58,713 filings of large plans that reported covering health benefits for the reporting period that ended in 2020 (“statistical year 2020”). Filings were excluded if (1) the filing was followed by another filing of the same plan for a later period in the same year (1,043 such filings in 2020), (2) the plan name suggested that it did not offer health benefits that were the subject of the ACA (388 such filings in 2020)⁷, or (3) the filing was submitted by a GIA (37 such filings in 2020). The remaining 57,245 large plans collectively covered 78.2 million participants.⁸ Throughout this report, the term “participants” includes active and

⁵ A MEWA that is itself an employee benefit plan is required to file a Form 5500. In addition, MEWAs that provide medical coverage, regardless of whether they also constitute employee benefit plans under ERISA, are required to file the Form M-1 “Report for Multiple Employer Welfare Arrangements (MEWAs) and Certain Entities Claiming Exception (ECEs).”

⁶ Form 5500 and 5500-SF filings do not contain direct information about participation in a non-plan MEWA. We infer likely participation from plan names that contain the name of a MEWA. For example, many plan names contain the string “SOCA BENEFIT PLAN,” which suggests participation in a MEWA sponsored by the Southern Ohio Chamber Alliance (<https://www.joinsoca.com/soca-benefit-plan/faqs>). Similarly, many plan names contain the names of MEWAs sponsored by the Ohio Farm Bureau, Builders Exchange of Ohio, Ohio State Medical Association, Canton Regional Chamber of Commerce, Missouri Chamber Federation, Community Bankers of West Virginia, and Georgia Chamber Federation.

⁷ Often these plans have names including the following terms, as well as others, “long term disability and voluntary life plan,” “associate accident program,” “group life and ad&d plan.”

⁸ Following the Form 5500 filing requirements, the distinction between small and large plans is based on participant count at the beginning of the reporting period. For all other purposes (unless specified otherwise), we measured the number of participants at the end of the reporting period, because that count is most up to date. The difference between participant counts at the beginning and the end of the reporting period implies that large plans (with 100 or more participants at the *beginning* of the reporting period) may cover fewer than 100 participants at the *end* of the period (see Table 1), and that small plans may cover more than 100 participants at the end of the period.

retired or separated employees, but excludes dependents of employees.⁹

Table 1 presents the distribution of large plan size, as measured by the number of participants at the end of the reporting period, for filings in statistical year 2020.

Table 1. Distribution of Large Health Plans and Plan Participants, By Plan Participant Counts at the End of the Reporting Period (2020)

Participants in plan	Large Plans	Percent	Participants (millions)	Percent
0-99*	3,297	5.8%	0.2	0.2%
100-199	19,993	34.9%	2.9	3.7%
200-499	18,072	31.6%	5.6	7.2%
500-999	6,940	12.1%	4.8	6.2%
1,000-1,999	3,995	7.0%	5.6	7.2%
2,000-4,999	2,738	4.8%	8.5	10.9%
5,000+	2,210	3.9%	50.6	64.7%
Total	57,245	100.0%	78.2	100.0%

Source: Form 5500 health plan filings.

* The definition of a large plan is based on number of participants at the beginning of the reporting period; some large plans have fewer than 100 participants at the end of the period.

Percentages may not sum to 100% due to rounding.

Large plans with fewer than 100 participants at the end of the plan year account for 5.8% of plans in our large plan analysis. The majority of large plans have between 100 and 499 participants. The majority of participants, however, are in the largest plans. Plans with 5,000 or more participants make up only 3.9% of all plans in our sample, but they account for 64.7% of all participants.

Similarly, aside from amended filings and filings with zero participants at both the beginning and the end of the reporting period, there were 18,374 filings of small plans that reported covering health benefits in 2020. As with the large plans discussed above, filings were excluded if (1) the filing was followed by another filing of the same plan for a later period in the same year (59 such filings in 2020), (2) the plan did not hold assets in a trust and was therefore exempt from filing a Form 5500 (1,504 such filings in 2020), or (3) the plan name suggested that it did not offer health benefits that were the subject of the ACA (2 such filing in 2020). There were no GIAs among small-plan filers. The remaining 16,809 small plans collectively

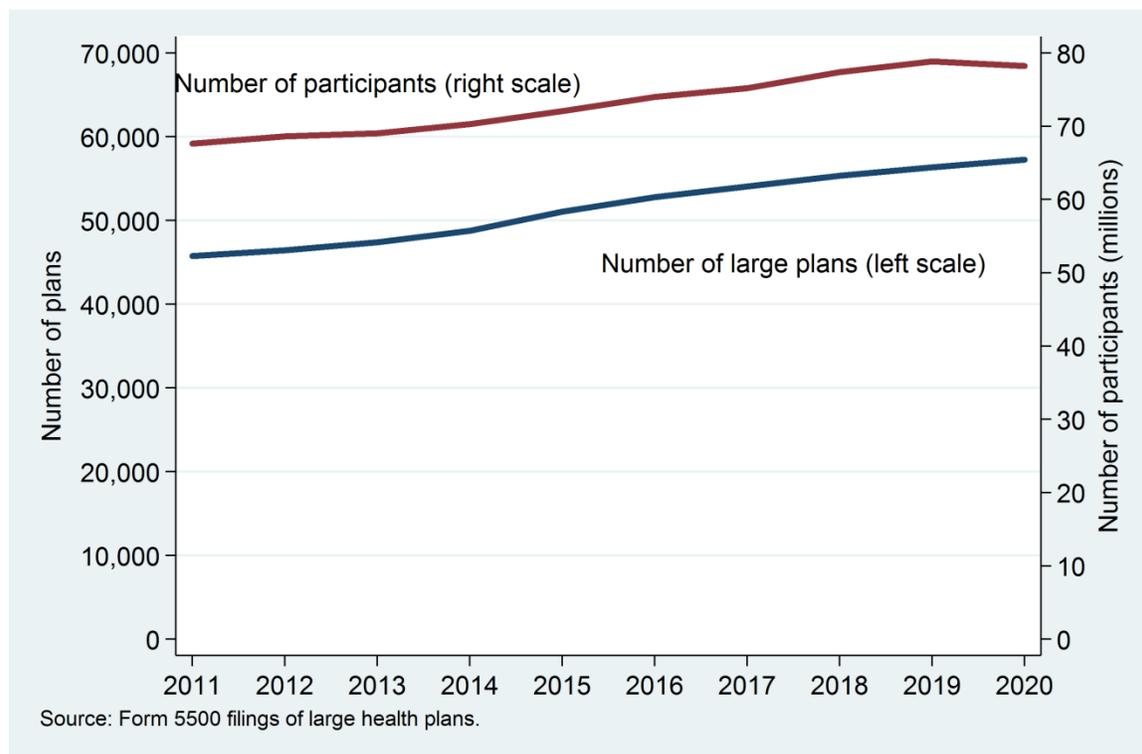
⁹ The number of participants is based on the number reported in Form 5500 filings and may overestimate the number of plan participants who received health benefits. A single Form 5500 filing may reflect multiple welfare benefit types/options available under a single plan, and some participants may opt out of the health benefit option but participate in a different welfare benefit option. An example is a welfare plan that provides multiple types of benefits with 500 employees receiving long-term disability benefits and 400 employees receiving health benefits. In this example, the number of plan participants reported in the Form 5500 would be 500.

covered about 220,000 participants. Almost all small plan filings (99.7%) had fewer than 100 participants at both the beginning and the end of the reporting period, while 61 plans (0.3%) had grown to 100 or more participants by the end of the period.

The Number of Health Benefit Plans and Their Participants

Our analysis covers statistical years 2011 through 2020. As shown in Figure 2 below and its underlying counts in Table 2, each year included between approximately 46,000 and 57,000 large plans that provided health benefits. The number of participants ranged from approximately 68 million to 78 million per year. Breaking with more than a 10-year pattern of yearly increases, the number of participants in large plans fell from 78.8 to 78.2 million from 2019 to 2020, while the number of large plans grew by 1.6% to 57,245.

Figure 2. Large Health Plans and Participants, by Statistical Year



Similarly, Figure 3 and Table 2 show the number of small health plans and their participants. As discussed above, the number of small plans increased rapidly in

recent years, to 16,809 in 2020. The number of participants has fluctuated over time, mostly because of a few small plans that covered many participants at the end of the reporting period. For example, much of the volatility in participants stems from two new health plans in 2011 and 2015 with about 239,000 and 128,000 participants at the end of the reporting period, respectively. In 2020, small plans covered approximately 220,000 participants.

Figure 3. Small Health Plans and Participants, by Statistical Year

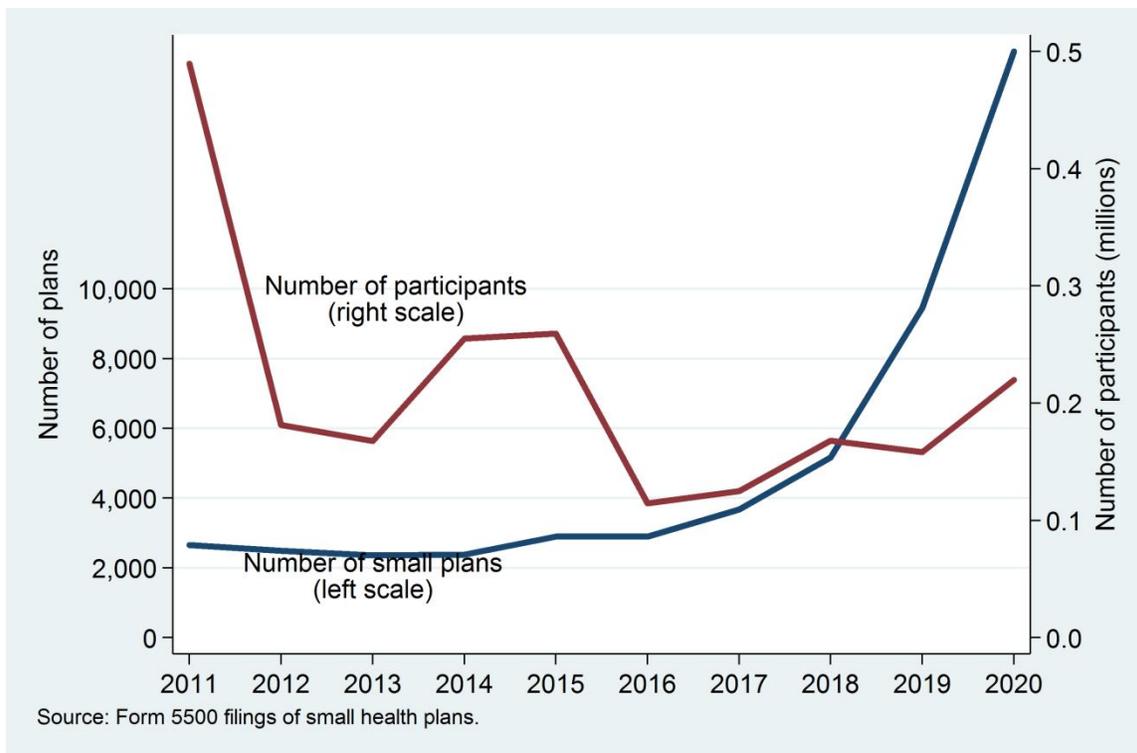


Table 2. Health Plans and Participants, by Statistical Year

Statistical year	Large Plans		Small Plans	
	Number	Participants (millions)	Number	Participants (millions)
2011	45,747	67.6	2,656	0.490
2012	46,447	68.6	2,490	0.181
2013	47,387	69.1	2,358	0.168
2014	48,759	70.3	2,382	0.255
2015	51,057	72.1	2,901	0.259
2016	52,769	74.0	2,900	0.115
2017	54,071	75.2	3,679	0.125
2018	55,361	77.4	5,169	0.168
2019	56,348	78.8	9,450	0.158
2020	57,245	78.2	16,809	0.220

Source: Form 5500 health plan filings.

Table 3 shows the percentage of health plan filings that were matched to their corresponding filing in the previous year. It covers both large and small plans. The match rate ranged from 81% (in 2020 when many small plans first filed a Form 5500) to 89%. In order to gauge consistency in the reporting of the number of participants, the table illustrates to what extent participant counts of matched pairs of plan filings changed from one year to the next. At the median, plans reported approximately the same size as in the prior year, suggesting that the matches were generally accurate and that there was consistency in the reporting. The distributions were fairly stable over time and the interquartile range (the difference between the 75th and 25th percentiles) of plan size growth was about 17 percentage points.

Table 3. Distribution of Year-on-Year Participation Increases in Plans Matched across Years

Statistical year	Number of plans in year t	Percentage matched to a plan in t-1	Year-on-year increase		
			25th pct	Median	75th pct
2011	48,403	89.2%	-6.9%	0.0%	7.1%
2012	48,937	89.2%	-5.9%	0.5%	8.1%
2013	49,745	89.0%	-6.0%	0.5%	8.2%
2014	51,141	87.9%	-5.6%	1.0%	9.2%
2015	53,958	86.0%	-5.8%	1.3%	9.8%
2016	55,669	87.1%	-6.1%	1.1%	9.6%
2017	57,750	86.7%	-5.8%	1.0%	9.2%
2018	60,530	86.3%	-5.7%	1.1%	9.6%
2019	65,798	83.3%	-6.4%	0.7%	9.2%
2020	74,054	81.0%	-10.4%	0.0%	7.0%

Source: Form 5500 health plan filings.

Match rates based on all Form 5500 health plan filings.

Participant increases based on the matched sample only.

Financial Information from IRS Form 990 and Bloomberg

Several of our research questions seek to understand the relationship between a plan sponsor's financial health and the plan's funding mechanism. To address these questions, we matched Form 5500 health plan filings with two sources of financial information: Form 990 and Bloomberg corporate financial data. We obtained plan sponsors' not-for-profit status from the Form 990 and some of their financial information from Bloomberg. This section describes our approach and the number of Form 5500 filers for which we achieved a statistical year 2020 match with Form 990 or Bloomberg records.

Not-for-Profit Status from Form 990

We determined whether health plan sponsors were for-profit or not-for-profit by matching Form 5500 filings to Form 990 filings. We identified not-for-profit plan sponsors by the existence of a Form 990 filing from the plan sponsor. Tax-exempt organizations file a Form 990 annually with the IRS unless exempt from filing. On its website, the IRS makes select fields of Form 990 filings, including Employer Identification Numbers (EINs) and the organizations' names, publicly available. If the corporate sponsor listed on a Form 5500 health plan filing matched to a Form 990 filing, and the entity that filed a Form 990 was not itself a benefit plan, we identified the plan sponsor as a not-for-profit organization; otherwise, we considered it for-profit.¹⁰

We based whether there was a match using the EIN and organization name. To reduce mismatches due to name spelling variations, we normalized names and removed plan labels prior to matching.¹¹ Of the 57,245 large plans in 2020, 9,483 (16.6%) had sponsors that filed a Form 990, which we classified as not-for-profit. They covered 13 million participants, or 16.6% of the total participant count of large plans under study. Of the 16,809 small plans, we identified 1,168 (6.9%) as not-for-profit. They covered approximately 22,126 participants, or 10.1% of the total participant count of small plans.

¹⁰ Some welfare plans of for-profit corporations were themselves not-for-profit entities. For example, Form 5500 plan sponsor could be listed as XYZ Corporation Employee Benefits Plan, a not-for-profit entity that filed a Form 990. In such cases, we ignored the Form 990 entry for XYZ Corporation Employee Benefits Plan and looked for XYZ Corporation among Form 990 filings to determine its for-profit status. To this end, we excluded Form 990 filings by Voluntary Employees' Beneficiary Associations (VEBAs), Teachers Retirement Fund Associations, Supplemental Unemployment Compensation Trusts or Plans, Employee-Funded Pension Trusts, Multiemployer Pension Plans, and any filer with names that included such labels as *HEALTH PLAN* or *WELFARE PLAN*. For-profit status thus refers to the plan sponsor, not to the plan itself.

¹¹ The algorithm removed punctuation, streamlined abbreviations, and removed strings that denote health plans. For example, "ABC Incorporated Employee Benefit Trust" and "ABC Inc." both normalized to "ABCINC".

Financial Metrics from Bloomberg

Corporate financial information comes from Bloomberg, a provider of financial and other data for companies in the United States and elsewhere. Bloomberg culls Form 10-K filings and other sources to collect data on companies with public financial statements, which generally include companies with publicly traded stock or bonds.¹² Our extract from its database contained information on the 2020 financial performance for about 6,400 companies with public financial information that were based in the United States or listed on a US stock exchange.

We extracted the following fields that capture company size and financial health.

- Market capitalization: Total value of outstanding common stock as of the end of the year;
- Revenue: Total revenue net of sales returns and allowances during the year;
- Profit: Amount of profit the company made after paying all of its expenses during the year;
- Cash and cash equivalents: Amount of cash in vaults, deposits in banks, and short-term investments with maturities under 90 days as of the end of the year;
- Total debt: Short-term borrowings, long-term debt, and long-term capital leases as of the end of the year;
- Altman Z-Score: An index commonly used for predicting the probability that a firm will go into bankruptcy within two years.¹³ The lower the score, the greater the probability of insolvency; and
- Number of employees.

Matching Form 5500 Filings and Bloomberg Records

Form 5500 health plan filings and Bloomberg data both contained the names of sponsors/companies. However, in part because of spelling variations, the match rate on name alone was low. Both data sources also contained EINs, but that field was available for only 5.7% of Bloomberg records.

Bloomberg records may further identify companies through their Central Index Key (CIK), a number used by the U.S. Securities and Exchange Commission (SEC) to identify corporations and individuals who have filed a disclosure with the SEC. CIKs were available for 90.5% of Bloomberg records. SEC filings, electronically available from the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system, often included both a company's CIK and its EIN. Using an automated algorithm that extracted CIK-EIN combinations from SEC filings, we located EINs from the SEC filing

¹² A Form 10-K is an annual financial report filed with the U.S. Securities and Exchange Commission.

¹³ The Altman Z-Score in the Bloomberg data is calculated as 1.2 times the ratio of working capital to tangible assets, plus 1.4 times the ratio of retained earnings to tangible assets, plus 3.3 times the ratio of earnings before interest and taxes to tangible assets, plus 0.6 times the ratio of the market value of equity to total liabilities, plus 1.0 times the ratio of sales to tangible assets (source: Bloomberg)

for 83% (4,791) of the Bloomberg records based on CIKs matches between Bloomberg and the SEC filings.

Next, we defined clusters of EINs, CIKs, and company names that appeared to relate to the same company. For example, a company may have used two EINs, or an EIN may have been associated with multiple (similar) names. To improve the clustering, we normalized the company names and removed plan labels.

We then mapped all related EINs, CIKs, and company names into a unique cluster. Finally, we matched Bloomberg records and Form 5500 health plan filings by cluster.

Corporate fiscal years do not need to correspond to health plan reporting periods. In an effort to accurately match a 2020 Form 5500 health plan filing with its sponsor's 2020 financial information, we required that the end date of the fiscal year captured in Bloomberg and the end date of the Form 5500 plan year differed by no more than 183 days. Only if the closest fiscal and plan years differed by no more than 183 days did we consider this a match. For example, a health plan sponsor could have a plan year from January 1 to December 31, but a fiscal year that ran from April 1 to March 31 of the next year. Under these circumstances, we matched the Form 5500 health plan filing ending December 31, 2020, with the Bloomberg financial information for fiscal year ending March 31, 2021.

The analysis of corporate financial health related to large plans only.¹⁴ As summarized in Table 4, the process above results in 889 matched plans with 5,000 or more participants (40.2%) and 3,411 plans (6%) overall.¹⁵ This is the set of companies that appeared in our matched analyses below. The 3,411 matched plans covered 25.3 million participants, or 32.4% of all participants in the Form 5500 large health plan data.

¹⁴ Insofar as small plans are sponsored by small companies, corporate financial information is rarely available. That said, 32 sponsors of small plans were matched to Bloomberg data. Almost all appeared to be large companies.

¹⁵ While the overall match rate of 6.0% is a relatively small number, many companies that filed a Form 5500 were not represented in Bloomberg data because they have no requirement to issue publicly available financial statements. The sponsor may be privately held and without publicly issued bonds, the sponsor may be based overseas, or the plan may be a multiemployer or multiple-employer plan.

Table 4. Form 5500 Large Health Plan Filings Matched with Financial Information, by Plan Size (2020)

Number of participants	Large Plans			Participants		
	Number	Percent	Match rate	Number (millions)	Percent	Match rate
0–99*	114	3.3%	3.5%	0.0	0.0%	1.9%
100–199	315	9.2%	1.6%	0.0	0.2%	1.6%
200–499	606	17.8%	3.4%	0.2	0.8%	3.6%
500–999	451	13.2%	6.5%	0.3	1.3%	6.7%
1,000–1,999	485	14.2%	12.1%	0.7	2.8%	12.6%
2,000–4,999	551	16.2%	20.1%	1.8	7.1%	21.2%
5,000+	889	26.1%	40.2%	22.2	87.8%	43.9%
Total	3,411	100.0%	6.0%	25.3	100.0%	32.4%

Source: Form 5500 large health plan filings and Bloomberg data.

* The definition of a large plan is based on number of participants at the beginning of the reporting period; some large plans have fewer than 100 participants at the end of the period.

Numbers may not sum to total due to rounding.

The match rate increased with plan size, presumably because larger plans were sponsored by larger companies and larger companies were more likely to disclose financial information than smaller companies. However, even very large plans did not match universally. Plans that did not match included those of hospitals and universities without public financials, but also of U.S. operations of large international firms with public financials. We restricted Bloomberg records to companies that were based in the United States or listed on a US stock exchange. Mismatches could have occurred from differences between corporate names in Bloomberg (e.g., XYZ Holdings Inc.) and sponsor names on Form 5500 filings (e.g., XYZ Inc.). A more inclusive name matching algorithm could boost the matching rate, but it also increased the risk of false matches which in turn could dilute any analysis results based on the matched subset of plans. Instead, we opted for a more conservative approach, with a smaller subset of matched plans but more reliable matches.

3. THE DEFINITIONS OF FUNDING MECHANISMS

The Form 5500 does not require plan sponsors to report the funding mechanism of health benefits with sufficient specificity for us to determine definitively whether we should classify plans that report using both a trust and insurance as self-insured, fully insured, or mixed-funded (also referred to as mixed, below). This section describes how we classified individual plans by funding mechanism for the purposes of this report.

The Definition of Funding Mechanism Is Driven by Certain Available Data

For the purpose of the analysis in this report, funding mechanism was assigned based on information in Form 5500 health plan filings. We categorized plans as self-insured, fully insured, or mixed-funded. A mixed-funded plan contained both self-insured and fully insured components. For example, an employer may offer its employees a choice between a fully insured HMO option and a self-insured PPO option. If the employer reported both plan components on a single Form 5500 filing, the plan would be mixed-funded. In some cases, the data were incomplete or internally inconsistent. For example, while Schedules A were intended to report on insurance contracts, some plans attached a Schedule A for a contract that appeared to be for administrative services only (ASO) rather than for insurance. Given these limitations, the classification in this report should not be interpreted as an official or legal definition.

The classification of funding mechanism is based on data from the main Form 5500, Form 5500-SF, Schedule A, and Schedule H/I, when available. As depicted in Figure 4 below, there were multiple ways in which a plan may be classified as self-insured, mixed-funded, or fully insured. Two important issues were evidence of an external health insurance contract (on a Schedule A) and of a plan trust (on a Schedule H or I).

Evidence of Health Insurance. Information on insurance contracts needs to be reported on a Schedule A. Many Schedules A relate to dental, vision, disability, or other non-health benefits. Only Schedules A that specify “Health (other than dental or vision)” benefits or reflect an “HMO contract,” “PPO contract,” or “Indemnity contract” were considered evidence of health insurance. However, some Schedules A may have been filed in error and some health benefits—such as business travel insurance with limited emergency medical care benefits—may be outside the focus of the ACA. The algorithm rejected as evidence of health insurance any Schedule A with per capita annualized premiums that were less than 30% of the average cost of single health coverage in the United States, as documented by the Kaiser Family Foundation’s *Employer Health Benefits Annual Survey* (“KFF Survey”).¹⁶ In 2020, the average cost for single coverage was \$7,470, so the

¹⁶ *Employer Health Benefits, 2020 Annual Survey*. Kaiser Family Foundation. Available at <https://kff.org/health-costs/report/2020-employer-health-benefits-survey>.

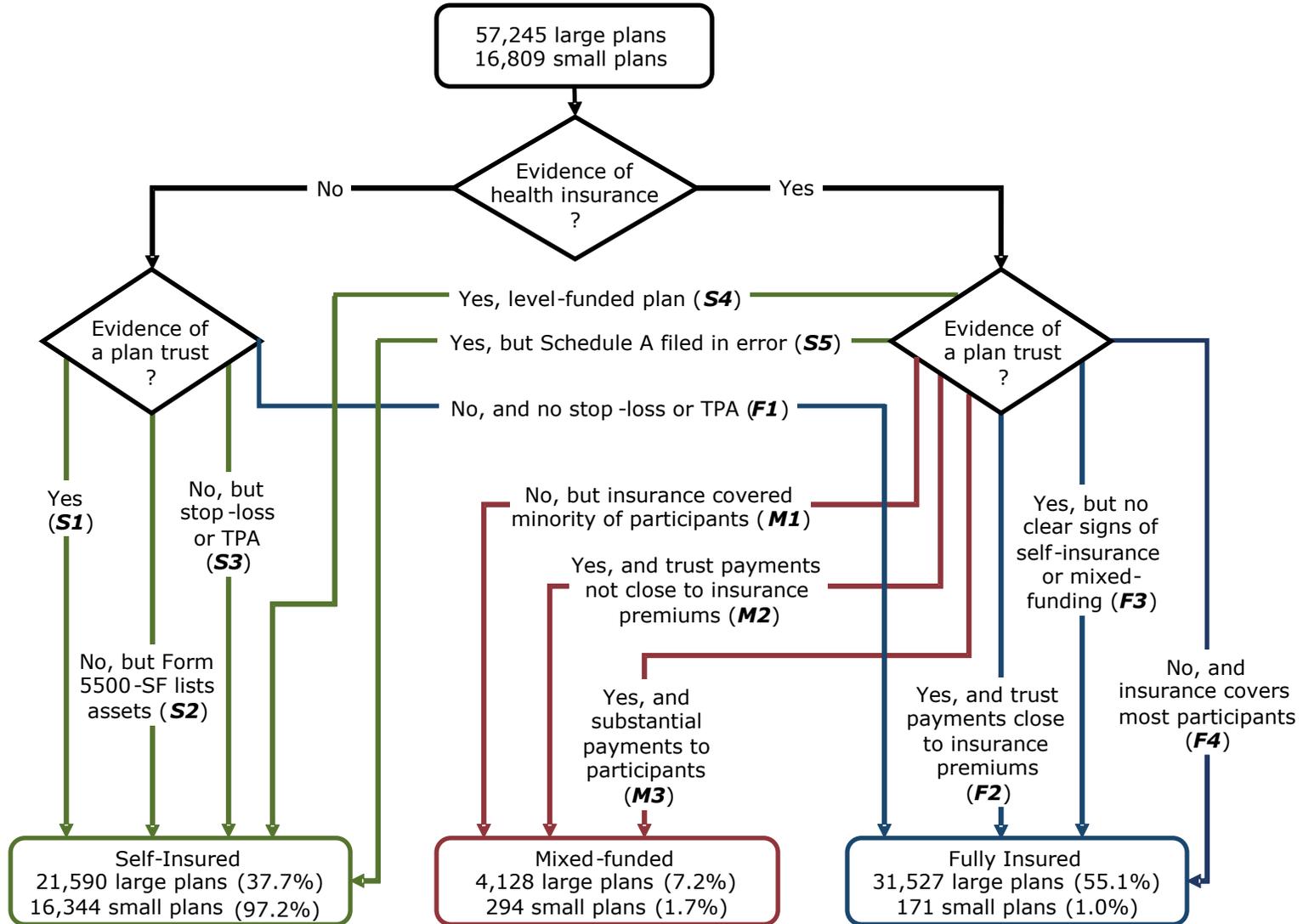
algorithm required annualized premiums to be at least $30\% \times \$7,470 = \$2,241$ per covered person.¹⁷

Evidence of a Trust. Information on a plan's trust, if any, is required to be reported on a Schedule H or I. In addition to assets and liabilities, the Schedules H and I report contributions and expenses (such as benefit payments directly to participants and payments to insurance carriers). Some plans attached a Schedule H or I that was blank (not common since the introduction of electronic filing) or reported on compliance issues only. The algorithm accepted as evidence of a trust only Schedules H/I with at least some information on assets, liabilities, income, or expenses.

Figure 4 illustrates the algorithm that classified plans by funding mechanism based on detailed information on the main Form 5500, Schedules A, and Schedules H/I, where available. The main issues were whether plans provided evidence of a health insurance contract or a plan trust. Of 57,245 large plans in the 2020 analysis file, 21,590 (37.7%) were classified as self-insured, 4,128 (7.2%) as mixed-funded, and 31,527 (55.1%) as fully insured. Of the 16,809 small plans, 16,344 (97.2%) were classified as self-insured, 294 (1.7%) as mixed-funded, and 171 (1.0%) as fully insured.

¹⁷ The average cost of single coverage rose from \$5,049 in 2010 to \$7,470 in 2020.

Figure 4. Classification of Plans by Funding Mechanism



The branches in Figure 4 are labeled and described in detail in the sections below. The Technical Appendix lists the data fields that the algorithm uses.

Self-Insured Plans

S1: No Evidence of Health Insurance; Evidence of a Plan Trust

All plans in the analysis reported sponsoring health benefits. If there was no evidence of health insurance, and financial information for a plan trust was provided, then the plan was classified as self-insured.

S2: Short Form Filers with Fewer Than 100 Participants or with Assets

Some plans with fewer than approximately 100 participants at the beginning of the year may file a Form 5500-SF. Such filings were not required to attach any schedules, and any financial information would be entered on the Form 5500-SF itself.¹⁸ Plans that filed a Form 5500-SF and reported fewer than 100 participants at the beginning of the year were presumed to be self-insured. Further, if they reported between 100 and 120 participants at the beginning of the year and listed plan assets, they too were classified as self-insured.

S3: No Evidence of Health Insurance or of a Plan Trust; Indicators of Self-Insurance

Consider plans that provided evidence of neither health insurance nor a plan trust. If the funding or benefit arrangement was through a trust or from general assets, then we classified the plan as self-insured. Also, if the only Schedules A attached to the filing were for stop-loss coverage or non-health benefits, or a Schedule A indicated third party administrator services rather than insurance,¹⁹ then we classified the plan as self-insured.

S4: Evidence of Health Insurance and of a Plan Trust; Financial Information Indicates Self-Insurance

Consider plans that provided evidence of health insurance and of a plan trust that listed payments both directly to participants and to insurance carriers. Depending on the magnitude of certain trust payments and insurance premiums, such plans may be self-insured, mixed-funded, or fully insured. The algorithm sequentially checked for various scenarios, including the possibility that the Schedule A reflected a level-funded plan contract.²⁰ In such cases, we classified the plans as self-insured.

¹⁸ Small plans that filed a Form 5500-SF without financial information are presumed to be exempt from filing and excluded from the analysis.

¹⁹ Some plans attached a Schedule A for administrative services only despite directives to the contrary (2020 Instructions for Form 5500).

²⁰ A nominally self-funded option for small or mid-sized employers that incorporates stop-loss insurance with relatively low attachment points. Often, the insurer calculates an expected monthly expense for the employer, which includes a share of the estimated annual cost for benefits, premium for the stop-loss protection, and an administrative fee. The employer pays this "level premium" amount, with the potential for some reconciliation between the employer and the insurer at the end of

S5: Evidence of Health Insurance, but Schedule A May Have Been Filed in Error

Consider again plans that provided evidence of health insurance and of a plan trust that listed payments both directly to participants and to insurance carriers. In addition to the possibility discussed under branch *S4*, the Schedule A may have been filed in error. Having excluded certain other scenarios, if Schedule A reported experience-rated charges but no corresponding premiums, it presumably did not reflect an insurance contract. We then assumed that the Schedule A was filed in error and classified the plan as self-insured.

Mixed-funded Plans***M1: Evidence of Health Insurance; No Evidence of a Plan Trust; Funding through Trust or General Assets and Insurance Covered a Minority of Participants***

In principle, when a plan provided evidence of health insurance and not of a plan trust, we classified it as fully insured. However, it may additionally cover some participants in a self-insured plan component, namely from general assets or through a trust (for which no information was provided). The algorithm first accounted for funding and benefit arrangements. If both arrangements involved insurance only, we classified the plan as fully insured (discussed below under branch *F4*). However, if the funding or benefit arrangements mentioned a trust or general assets, and fewer than one-half of plan participants (indicated on the main Form 5500) were covered by health insurance (indicated on Schedule A), we classified the plan as mixed-funded.

M2: Evidence of Health Insurance and of a Plan Trust; Trust Payments not Close to Insurance Premiums

Consider plans that provided evidence of both health insurance and of a plan trust. The trust may serve to funnel insurance premiums to insurance carriers, in which case we generally classified the plan as fully insured (discussed below under branch *F3*). However, if trust payments to insurance carriers differed by more than 20% from insurance premiums, the trust presumably funded self-insured benefits, and we classified the plan as mixed-funded.

the year, if claims differ significantly from the estimated amount. These policies were sold as self-funded plans, so they generally were not subject to state requirements for insured plans and, for those sold to employers with fewer than 50 employees, were not subject to the rating and benefit standards in the ACA for small firms. Due to the complexity of the funding (and regulatory status) of these plans, and because employers often pay a monthly amount that resembles a premium, respondents may be confused as to whether or not their health plan was self-funded or insured (2021 KFF Survey; see page 155).

M3: Evidence of Health Insurance and of a Plan Trust; Substantial Payments Directly to Participants

Consider again plans that provided evidence of health insurance and of a plan trust that listed payments both directly to participants and to insurance carriers. We classified these plans as mixed funded if payments directly to participants were substantial enough to plausibly reflect health benefit payments. We used the same monetary criterion as for determining whether a Schedule A plausibly reflected health insurance (\$2,241 per participant per year in 2020; see above).²¹

Fully Insured Plans***F1: No Evidence of Health Insurance or of a Plan Trust; No Indicators of Self-Insurance***

Some plans provided evidence of neither health insurance nor a plan trust. If such plans met the criteria discussed above under branch *S3*, we classified them as self-insured. Otherwise, we classified them as fully insured.

F2: Evidence of Health Insurance and of a Plan Trust; Trust Payments Close to Insurance Premiums

Some fully insured plans used a trust to funnel premiums to insurance carriers. Oftentimes, this applied to plans with multiple contributing parties, such as multiple-employer and multiemployer plans. If a plan provided evidence of both health insurance and a plan trust, and trust payments to insurance carriers were within 20% of insurance premiums, we classified the plan as fully insured.²² An exception existed in the case of substantial trust payments directly to participants; see branch *M3*.

F3: Evidence of Health Insurance and of a Plan Trust; No Clear Indicators of Self-Insurance or Mixed-Funding

Consider again plans that provided evidence of health insurance and of a plan trust that listed payments both directly to participants and to insurance carriers. Trust payments and insurance premiums may point to self-insurance (discussed above under branches *S4* and *S5*) or to mixed-funding (discussed above under branch *M3*). In the absence of clear indicators of self-insurance or mixed-funding, we classified such plans as fully insured.

²¹ The per-participant payment calculation may understate the actual average payment to participants in the self-insured component of the plan because it is based on the number of participants as reported on the main Form 5500, which likely overstates the number of participants in the self-insured component of the plan.

²² To accommodate scenarios in which non-health insurance premiums were paid outside of the trust, the algorithm checks all insurance premiums separately from all health insurance premiums. If trust payments were within 20% of either amount, branch *F3* applies.

F4: Evidence of Health Insurance; No Evidence of a Plan Trust; Funding through Insurance Only or Insurance Covered Most Participants

In principle, when a plan provided evidence of health insurance but not of a trust, we classified it as fully insured. Branch *M1* allows for the possibility that the plan additionally covered some participants in a self-insured plan component. If the plan did not meet the criteria specified under branch *M1*, we classified it as fully insured.

While this approach was subject to some data quality issues (further discussed below), we believe it resulted in a meaningful characterization of health plans' funding mechanism.

Issues in Defining Funding Mechanism

The information on the Form 5500 may be incomplete, ambiguous, or inconsistent for some plans with respect to the funding mechanism. Some of the issues affecting the funding mechanism definition were as follows:

- An employer may set up a subsidiary that acts as an in-house or "captive" insurance company or rent an outside "captive" to offer health insurance. These "captive" insurance companies were subject to state regulations regarding insurance companies. Plans purchasing insurance from a captive insurance company should file a Schedule A, which does not require disclosing that the insurance company is captive. In the classification, such plans would thus be considered fully insured, even though the employer group to which they belong may incur a risk substantially similar to that of a self-insured plan. Since nothing on the Form 5500 permitted the identification of captive insurance companies, we were not able to quantify how frequently this issue arises.
- As explained above, 7.2% of large health plans contained both externally insured and self-insured health components in 2020. While the distinction may be clear conceptually, Form 5500 data limitations implied that the health plan as a whole must be categorized as mixed-funded. The issue arises in part because Forms 5500 were required for each plan, not for each type of benefit offered under a plan. Where a plan provided multiple types of welfare benefits or multiple types of health benefit options, it was not always possible to attribute responses to the health benefit component(s) of the filer's welfare plan. Also, a plan may indicate funding benefits through insurance contracts and from general assets without specifying which plan components were funded in either way. Separately, Form 5500 data limitations arise from the fact that the Form 5500 did not ask details about self-insured plan components. At the participant/policy level, however, a benefit is either self-insured or fully insured.
- As noted above, plans may offer self-insured health benefits to some participants and fully insured benefits to others, but the Form 5500 provided little insight about the number of participants in the self-insured component. Reflecting such scenarios, plans may also be classified as mixed-funded if fewer than one-half of plan participants were covered by health insurance

contracts. The comparison is less than perfect. First, the number of “persons covered” by insurance contracts, as reported on Schedule A, was inclusive of dependents,²³ whereas the definition of “participant” for Form 5500 explicitly excluded dependents (see 2020 Instructions for Form 5500). Second, because the total number of persons whose benefits were provided through the insurance policy or contract were reported on the Schedule A, where plans that provide multiple types of benefits and participants select some, but not all of the insured benefits offered, not all reported participants may in fact be participants in the health benefits component of the plan.

- The classification may not recognize mixed-funding where only “carve-out services” were covered by insurance. For example, a plan may have purchased insurance coverage for mental health benefits and self-insured other health benefits. Its Form 5500 filing would include a Schedule A with details of the mental health carve-out but might list the benefits provided under the contract as “Health (other than dental or vision)” because there is no separate category for “mental health” benefits on Schedule A, as there is for “Dental,” “Vision,” and “Prescription drugs.”
- Among large plans that reported a funding or benefit arrangement through insurance, 0.2% did not file a Schedule A with insurance contract details. Another 0.6% filed no Schedule A for health benefits but one or more Schedules A without listing the type of benefit that the insurance contract covered. In such cases, we assumed that the insurance contract provided health benefits.

For more details on data anomalies that stood in the way of unambiguous funding mechanism classifications, see the report on *Strengths and Limitations of Form 5500 Filings for Determining the Funding Mechanism of Employer-Provided Group Health Plans*.²⁴

Stop-Loss Insurance

While sponsors of self-insured plans generally bear the financial risks of health benefits and claims, some self-insured plans purchased insurance against particularly large losses (catastrophic or “stop-loss” insurance). Stop-loss coverage mitigates financial risks, but we considered a plan that has no insurance for health benefits other than stop-loss insurance self-insured.

²³ Although the Schedule A specifically called for filers to enter the approximate number of persons covered, it is our understanding that there were some filers who entered only the number of participants, even if there were more covered persons, such as due to family coverage.

²⁴ Available at <https://www.dol.gov/sites/default/files/ebsa/researchers/analysis/health-and-welfare/strengths-and-limitations-of-form-5500-filings-for-determining-the-funding-mechanism-of-employer-provided-group-health-plans.pdf>.

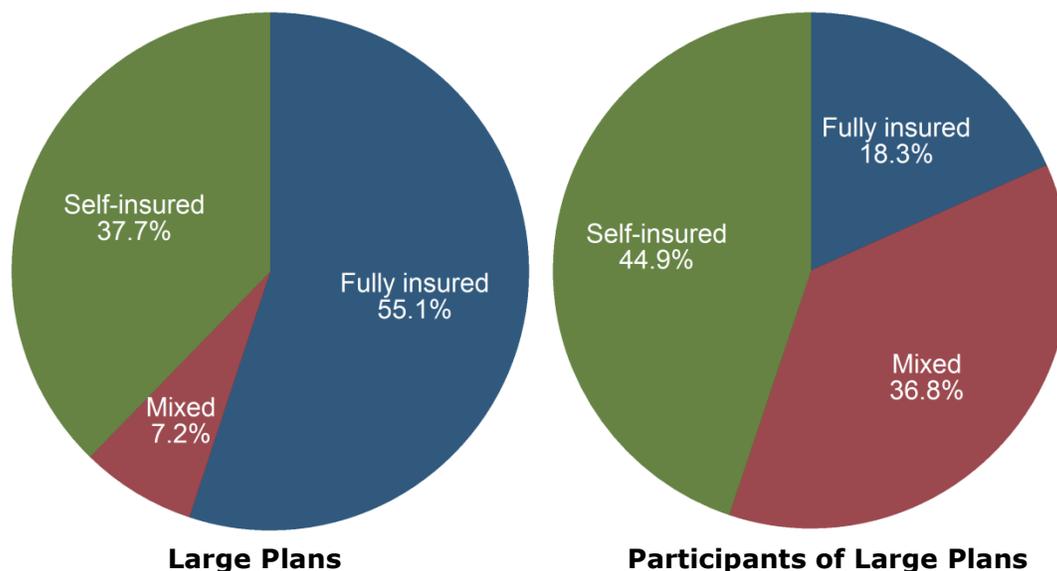
4. LARGE PLAN ANALYSIS

This section documents the findings of our analyses of large group health plans, defined as plans with 100 or more participants at the beginning of the year. (See Section 5 for small plans and Section 6 for GIAs.) We first present the Form 5500 distribution of funding mechanism by plan and plan sponsor characteristics. Next, we follow plan filings over time and document the rates at which plans have switched funding mechanisms. Next, we discuss stop-loss coverage of self-insured and mixed-funded plans. Finally, we turn to health plan sponsors for which external financial information was available and present summary statistics for these sponsors by plan funding mechanism.

Funding Mechanisms for Large Plans and Their Participants

For statistical year 2020, Figure 5 shows the overall distribution of funding mechanisms among the 57,245 large health plans: 55.1% of plans were fully insured, 37.7% were self-insured, and 7.2% were mixed-funded. As shown further below, funding varies by plan size, so the funding distribution across participants is quite different than it is across plans: 18.3% of the 78.2 million participants were in fully insured plans, 44.9% were in self-insured plans, and 36.8% were in mixed-funded plans.

Figure 5. Distribution of Funding Mechanism (2020)



To put our analysis in context, consider recent findings on self-insurance according to an external source: the Insurance Component of the Medical Expenditure Panel Survey (MEPS-IC), an annual survey of employers about their health benefit plans.²⁵

²⁵ *Medical Expenditure Panel Survey Insurance Component Chartbook 2020*. Rockville, MD: Agency for Healthcare Research and Quality, October 2020, AHRQ

The findings were not strictly comparable, in part because the unit of observation was an establishment in the MEPS-IC and a plan in the Form 5500 data and in part because size was measured in covered employees in the MEPS-IC and plan participants in the Form 5500. That said, the results were similar. According to MEPS-IC estimates, 35.8% of establishments with 100–999 employees self-insured at least one plan in 2020, whereas we found that 38.4% of plans with 100–999 participants were self-insured or mixed-funded (calculated from the numbers underlying Table 5 below). Weighted by employees (MEPS-IC) or participants (Form 5500), the shares were 40.5% and 47.1%, respectively. For larger establishments (or plans) with 1,000 or more employees (or participants), 77.8% self-insured at least one plan, according to the MEPS-IC, while 82.6% were self-insured or mixed-funded according to Form 5500 filings. Weighted by employees (MEPS-IC estimates) or participants (Form 5500), the shares were 77.3% and 89.0%, respectively.

Funding Mechanisms by Plan Size

Figure 6 shows the distribution of funding mechanism by plan size for large health plans in 2020. The likelihood that a plan has elements of self-insured generally increased with plan size.²⁶ The pattern was particularly pronounced for mixed-funded plans, presumably because larger plans may offer multiple plan options, some of which were fully insured and some of which were self-insured. The share of plans with 5,000 or more participants that were self-insured or mixed-funded was 90.0%, compared with 27.4 among plans with 100–199 participants.

²⁶ Large plans with 0–99 participants do not fit this pattern. By definition, these plans had 100 or more participants at the beginning of the reporting period (BOY), but fewer than 100 by the end of the plan year. The category thus reflects a mix of other BOY plan-size categories and their funding mechanisms.

Figure 6. Distribution of Funding Mechanism for Large Plans, by Plan Size (2020)

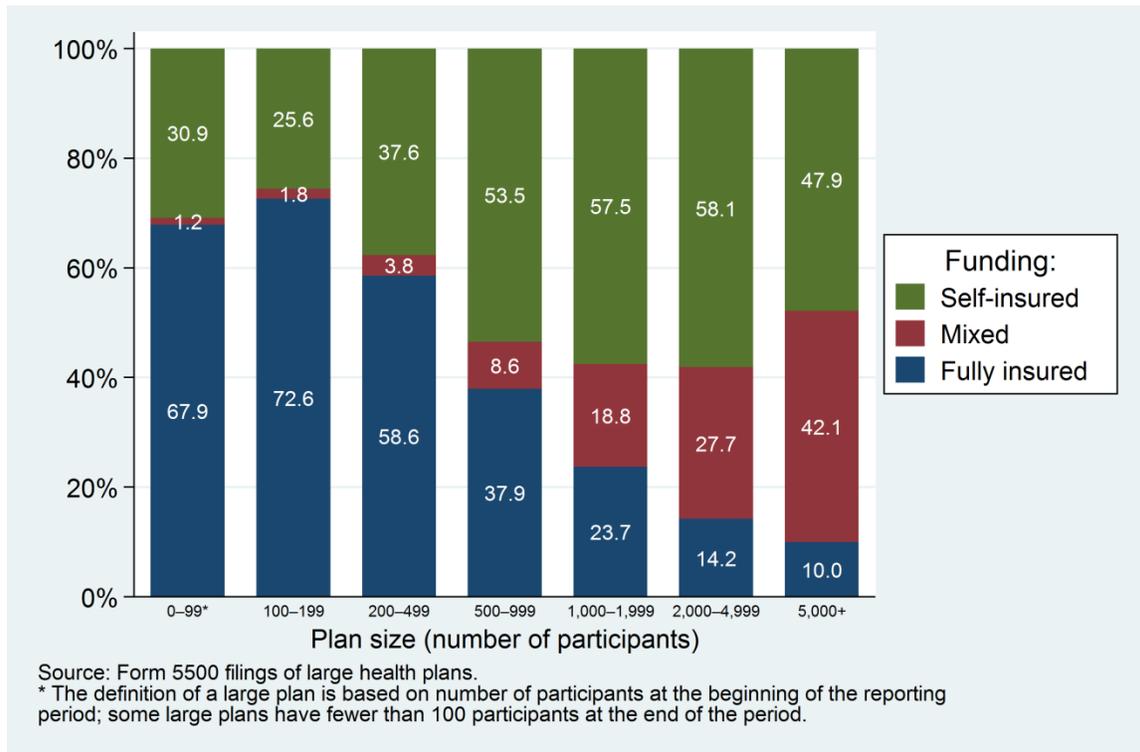


Table 5 shows the numbers underlying Figure 6. It also shows the participant-weighted distribution of funding mechanism by plan size, which was similar to the plan-weighted distribution.

Table 5. Distribution of Funding Mechanism for Large Plans, by Plan Size (2020)

Participants in plan	Large Plans			Participants		
	Fully insured	Mixed	Self-insured	Fully insured	Mixed	Self-insured
0-99*	67.9%	1.2%	30.9%	73.5%	1.8%	24.7%
100-199	72.6%	1.8%	25.6%	72.2%	1.9%	25.9%
200-499	58.6%	3.8%	37.6%	56.8%	4.1%	39.1%
500-999	37.9%	8.6%	53.5%	36.8%	9.0%	54.2%
1,000-1,999	23.7%	18.8%	57.5%	23.2%	19.4%	57.4%
2,000-4,999	14.2%	27.7%	58.1%	13.7%	29.0%	57.3%
5,000+	10.0%	42.1%	47.9%	9.3%	48.5%	42.3%
All	55.1%	7.2%	37.7%	18.3%	36.8%	44.9%

Source: Form 5500 large health plan filings.

* The definition of a large plan is based on number of participants at the beginning of the reporting period; some large plans have fewer than 100 participants at the end of the period.

Percentages may not sum to 100% due to rounding.

The finding that larger plans were more likely to adopt mixed-funding or self-insurance was consistent with the 2020 KFF Survey. That study found that 23% of

covered workers at firms with 3–199 employees enrolled in self-insured plans in 2020, compared with 94% of covered workers at firms with 5,000 or more employees.

Funding Mechanisms by Year

Figure 7 shows the funding mechanism distribution for large health plans by statistical year for 2011–2020; see Tables 6 and 7 for the underlying percentages, plan counts, and participant counts. The percentage of large plans that were self-insured or mixed-funded (i.e., plans with a self-insured component) generally increased slowly from 43.2% in 2011 to 44.9% in 2020. Between 2019 and 2020, the fraction of large plans with a self-insured component increased slightly.

The share of participants in large health plans that self-insured or were mixed-funded increased from 79.6% in 2011 to 81.1% in 2016 and rose slightly thereafter, to 81.7% in 2020. In comparison, the KFF Survey documented a similar increase toward self-insurance from 2010 to 2013 and, apart from a one-year deviation in 2015, an approximately flat share thereafter. Thus, the overall trend toward self-insurance among participants—which began well before 2010—appears to have flattened out, based on findings from both this study and the KFF study.

Figure 7. Distribution of Funding Mechanism for Large Plans, by Statistical Year

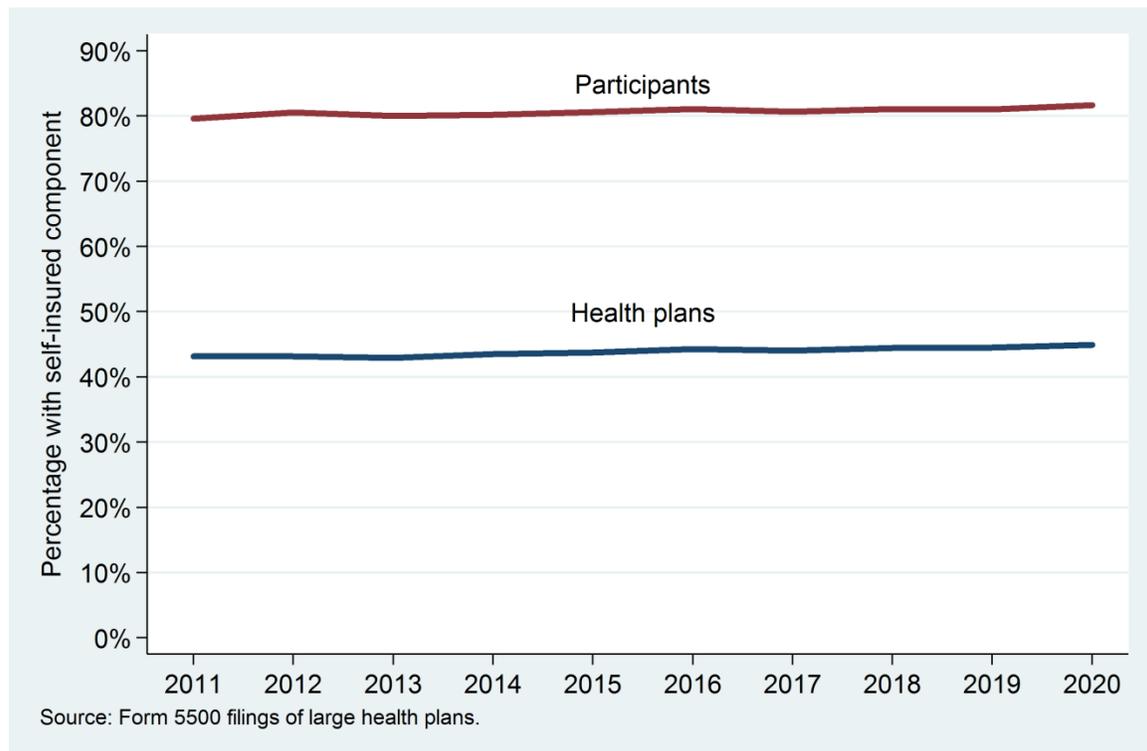


Table 6. Distribution of Funding Mechanism for Large Plans, by Statistical Year

Statistical year	Large Plans			Participants		
	Fully insured	Mixed	Self-insured	Fully insured	Mixed	Self-insured
2011	56.8%	7.0%	36.2%	20.4%	34.6%	45.0%
2012	56.8%	6.9%	36.3%	19.4%	34.9%	45.7%
2013	57.1%	7.0%	35.9%	20.0%	35.2%	44.8%
2014	56.5%	6.8%	36.7%	19.8%	33.6%	46.5%
2015	56.2%	6.7%	37.1%	19.4%	33.9%	46.7%
2016	55.7%	6.8%	37.5%	18.9%	34.9%	46.2%
2017	55.9%	6.7%	37.4%	19.4%	35.0%	45.6%
2018	55.5%	7.0%	37.5%	18.9%	35.9%	45.2%
2019	55.5%	7.0%	37.5%	19.0%	36.0%	45.1%
2020	55.1%	7.2%	37.7%	18.3%	36.8%	44.9%

Source: Form 5500 large health plan filings.
Percentages may not sum to 100% due to rounding.

Table 7. Number of Large Plans and Their Participants, by Funding Mechanism and Statistical Year

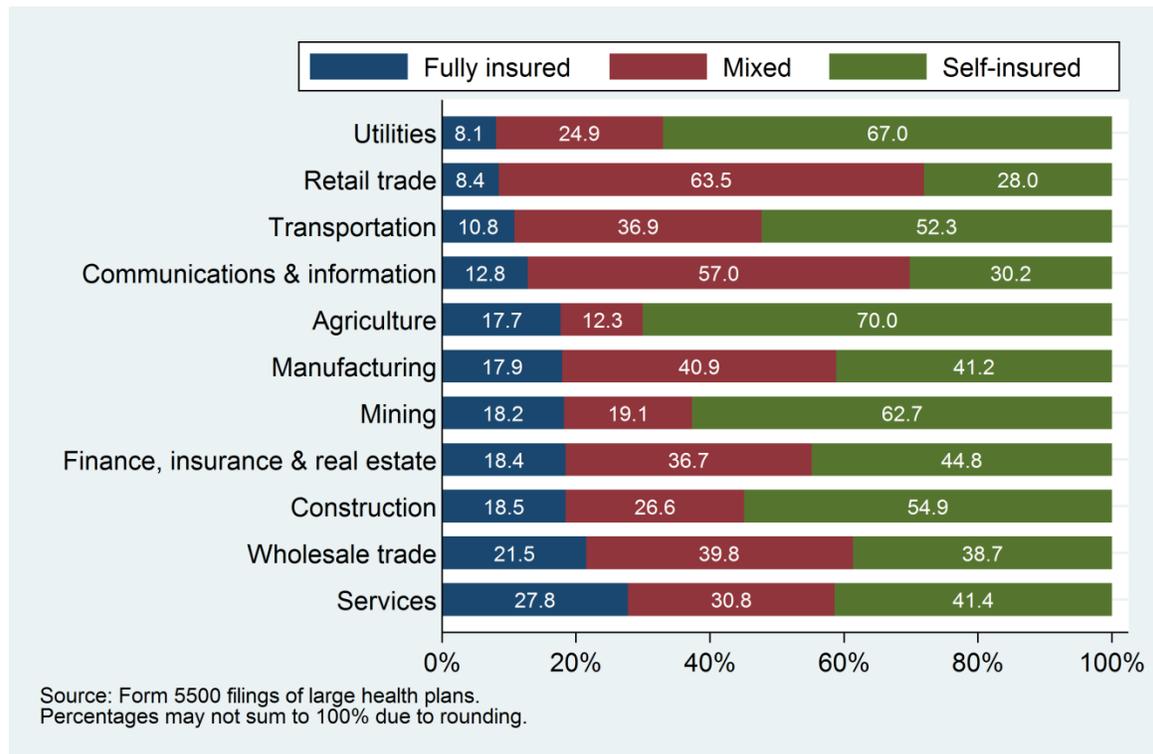
Statistical year	Plans			Participants (millions)		
	Fully insured	Mixed	Self-insured	Fully insured	Mixed	Self-insured
2011	26,006	3,195	16,546	13.8	23.4	30.4
2012	26,403	3,206	16,838	13.3	23.9	31.3
2013	27,042	3,311	17,034	13.8	24.3	31.0
2014	27,549	3,330	17,880	13.9	23.6	32.7
2015	28,706	3,423	18,928	14.0	24.4	33.7
2016	29,409	3,597	19,763	14.0	25.8	34.2
2017	30,246	3,601	20,224	14.6	26.3	34.3
2018	30,740	3,877	20,744	14.6	27.8	35.0
2019	31,261	3,929	21,158	15.0	28.4	35.5
2020	31,527	4,128	21,590	14.3	28.8	35.1

Source: Form 5500 large health plan filings.

Funding Mechanisms by Industry

Figure 8 shows the participant-weighted distribution of funding mechanism by industry for large plans, as identified by the business code provided on Form 5500 filings. Participants in the utilities, retail trade, and communications & information sectors were the most likely to be in a mixed-funded or self-insured large plan, whereas those in the services and wholesale trade industries were the most likely to be in a fully insured large plan. Some of the relationship between funding mechanism and industry may be due to variation across industries in health plan sizes, but differences across sectors remained after controlling for plan size. For example, among 11 industries, the utilities sector ranked first in self-insurance and eighth in plan size (measured by the average number of plan participants), whereas the services sector ranked last in self-insurance and seventh in plan size.

Figure 8. Participant-Weighted Distribution of Funding Mechanism, by Industry for Large Plans (2020)



Funding Mechanisms over the Life Cycle of Plans

Figure 7, above, shows the aggregate trends in self-funding for large plans at the plan and participant levels over time. It does not show the switching patterns of individual plans. Next, we turn to the switching behavior of large plans between funding mechanisms.²⁷

We distinguished between plans at the beginning of their life, at the end of their life, and during the years in between. For example, it was unclear whether the observed trends in self-funding were due to the funding mix of new plans, the funding mix of terminating plans, net switches among established plans, or a combination of factors. The analysis was somewhat hampered by the fact that some Form 5500 filings contained incomplete information about the beginning and end of plans' lives. Plans were categorized as follows:

²⁷ For the life cycle perspective in this section, we follow filings of individual plans over time. Plans' life cycle status is based on all filings, including voluntary filings and prior filings in the same year. A plan is uniquely identified by the EIN of its sponsor and a plan number (PN). Some EIN/PN combinations appear to have been used for more than one plan. Unlike in prior reports, the analysis excludes all filings of such EIN/PN combinations.

- *New*—We identified the beginning of a plan’s life cycle based on the Form 5500’s “first return/report” check box and the plan’s effective date. We considered a plan new if it checked the “first return/report” box and the start of the reporting period differed by no more than two years from the plan’s effective date.²⁸ In 2020, 2,646 large plans were new.
- *Cease filing*—We attempted to capture the end of a plan’s life cycle in two ways. First, a plan may have indicated on its Form 5500 that it was terminating, namely by checking the “final return/report” box, by reporting a resolution to terminate the plan, or by documenting that all assets were transferred out of the plan.²⁹ Second, a plan may stop filing a Form 5500 without the required prior indication. Doing so does not necessarily imply that the plan terminated; it may be non-compliant or it may have shrunk and become exempt but incorrectly neglected to note this by writing “4R” on Line 8b of the Form 5500. To mitigate this issue, we ignored gaps in filings. Recognizing that some plans in this category have in fact not reached the end of their life cycle, we labeled them as plans that “ceased filing.”³⁰ In 2020, 4,817 large plans fell into this category (including plans that last filed in 2019 without indicating that it was their final filing).
- *Established*—This category captured the middle of a plan’s life cycle. Plans that were neither “new” nor “ceased filing” were labeled “established” plans. In 2020, 52,143 large plans fell into this category (including plans that first filed in 2020 but reported a plan effective date more than two years before the start of the reporting period).

Table 8 shows the funding distribution of new large plans in 2020. Of the 2,614 new plans, 73.0% were fully insured, 4.1% were mixed-funded, and 22.9% were self-insured. The new plans covered 1.102 million participants, of whom 38.1% were in a fully insured plan, 17.1% in a mixed-funded plan, and 44.8% in a self-insured plan.

²⁸ Some plans never checked the “first return/report” box, or not until later in their life cycle. If the box was not checked until the, say, fourth filing, we excluded the earlier filings from the analysis. If the box was checked multiple times, we identified the plan as “new” only the first time.

²⁹ Some plans repeatedly indicated filing of final return, but continued submitting filings. We ignored indications of terminating if the plan continued filing in subsequent years. Separately, plans that reported termination on their initial filing were included in both the “new” and “ceased filing” categories. (See Figure 9, below.)

³⁰ In terms of timing, if a plan indicated on its 2013 filing that it was terminating, we considered it as having ceased filing in 2013. If a plan submitted filings through 2013 but not in any later year, we considered it as having ceased filing in 2014.

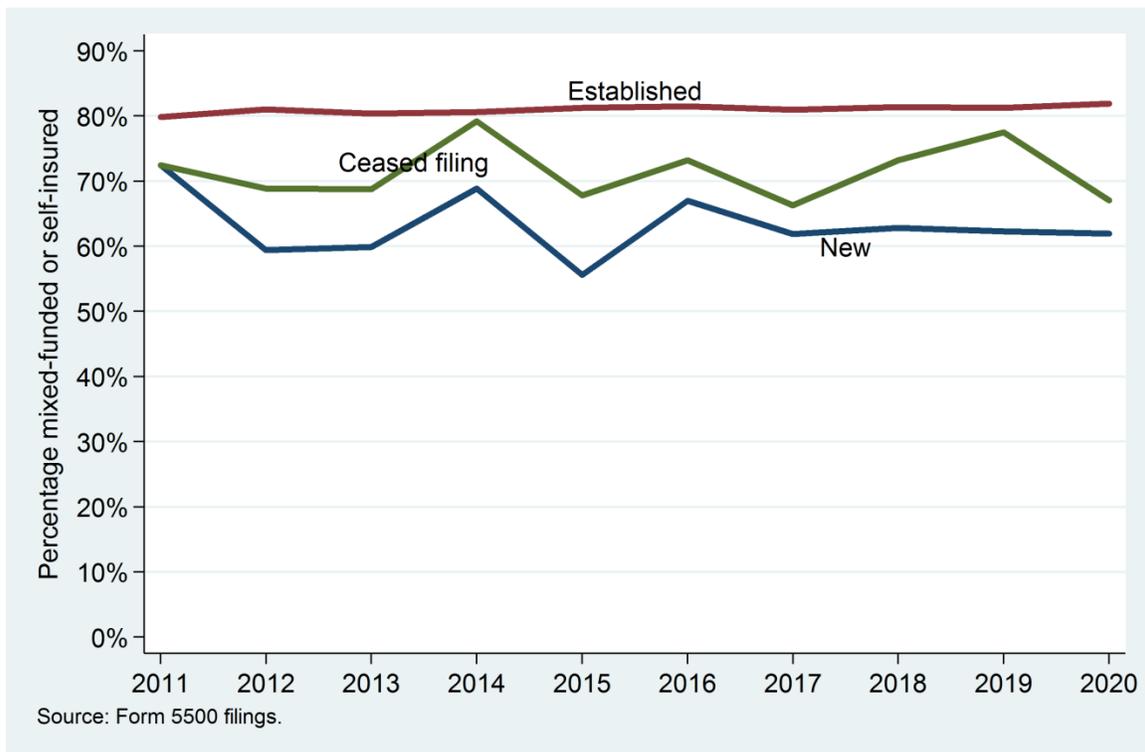
Table 8. Funding Distribution of New Large Plans (2020)

	Large Plans		Participants	
	Number	Percent	Number (millions)	Percent
Fully insured	1,907	73.0%	0.419	38.1%
Mixed	108	4.1%	0.188	17.1%
Self-insured	599	22.9%	0.494	44.8%
Total	2,614	100.0%	1.102	100.0%

Source: Form 5500 large health plan filings.

Figure 9 shows the percentage of participants who were covered by a mixed-funded or self-insured large plan, by plan life cycle stage, from 2011 to 2020. Participants in new large plans were generally less likely to be in mixed-funded or self-insured large plans than those in established large plans or large plans that ceased filing. If large plans never switched funding mechanisms, this should drive down the overall fraction of participants in large plans with a self-insured component. However, self-insurance among participants generally increased until 2016 and remained approximately level thereafter, pointing at a switch in funding mechanism as the main cause of the observed pattern.

Figure 9. Participant-Weighted Percentage Mixed-Funded or Self-Insured among Large New Plans, Established Plans, and Plans That Ceased Filing, by Statistical Year



Before turning to switching patterns, consider that most participants were covered by very large plans (Table 1 and Table 9). We restricted the analysis to the most

recent five years (2016–2020). As Table 9 shows, only 1.1% of new plans covered 5,000 or more participants, but those plans accounted for 36.2% of participants in all new large plans.³¹ Among established plans, 65.1% of participants were in plans with 5,000 or more participants. The behavior of plans with more than 5,000 participants was therefore key to understanding participant-weighted trends in funding.

Table 9. Distribution of Large Health Plans and Plan Participants, by Plan Participant Counts (2016-2020)

Participants in plan	New Plans		Established Plans		Plans That Ceased Filing	
	Plans	Participants	Plans	Participants	Plans	Participants
0-99*	8.7%	1.0%	2.5%	0.1%	43.4%	2.2%
100-199	56.7%	17.1%	34.3%	3.4%	26.8%	8.7%
200-499	22.9%	15.0%	33.3%	7.0%	18.1%	12.8%
500-999	5.7%	8.6%	12.8%	6.0%	5.8%	9.2%
1,000-1,999	3.0%	9.5%	7.5%	7.1%	2.9%	9.3%
2,000-4,999	1.8%	12.6%	5.4%	11.2%	1.8%	12.9%
5,000+	1.1%	36.2%	4.2%	65.1%	1.2%	44.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Form 5500 large health plan filings.

* The definition of a large plan is based on number of participants at the beginning of the reporting period; some large plans have fewer than 100 participants at the end of the period.

Percentages may not sum to 100% due to rounding.

Table 10 shows the annual rate of funding mechanism switching among new and established large plans. Overall, 6.3% of plans that started as fully insured switched to mixed-funded or self-insured during their second reporting period, but very large plans were much more likely to make that switch than smaller large plans. For example, 15.8% of fully insured new plans with 5,000 or more participants changed funding mechanism, compared with much lower fractions among plans with between 100 and 500 participants. Conversely, large plans with fewer than 500 participants that started life as mixed-funded or self-insured were more likely to switch to fully insured than their larger counterparts in their second year. A similar pattern existed among established large plans. Because most participants were in very large plans, the implication was that, on net, participants in both new and established large plans migrated to mixed-funding or self-insurance.

³¹ A manual review indicated that such plans commonly were successor plans to prior plans that were replaced or consolidated, such as after a corporate merger. Likewise, plans that ceased filing may have been replaced with other plans and secured continuing health benefit coverage for their participants.

Table 10. Annual Rates of Funding Switching among New and Established Large Plans, by Plan Size (2016-2020)

Plan participants	New Plans		Established Plans	
	Switch to mixed or self-insured	Switch to fully insured	Switch to mixed or self-insured	Switch to fully insured
0-99*	4.3%	14.3%	6.3%	11.5%
100-199	4.9%	14.4%	4.6%	7.7%
200-499	7.4%	9.1%	6.3%	5.1%
500-999	12.9%	4.4%	10.3%	3.0%
1,000-1,999	18.1%	3.7%	13.2%	1.8%
2,000-4,999	8.5%	2.6%	15.0%	1.3%
5,000+	15.8%	2.7%	15.0%	1.3%
Total	6.3%	9.6%	6.5%	4.4%

Source: Form 5500 large health plan filings.

* The definition of a large plan is based on number of participants at the beginning of the reporting period; some large plans have fewer than 100 participants at the end of the period. The number of plan participants reported is based on end of year figures.

Rates are conditional on the appropriate universe. For example, the denominator for the first column is fully insured new plans.

Rates at which plans ceased filing also varied by plan size (Table 11), with very large plans generally less likely to stop filing in 2016-2020 than smaller plans.³² Among plans with 5,000 or more participants, fully insured plans ceased filing at a higher rate than mixed-funded or self-insured plans.

³² Given the focus on the end of the life cycle, Table 11 lists plans by the number of participants at the beginning (rather than the end) of the reporting period. The majority of large plans that covered fewer than 100 participants at the end of the reporting period ceased filing (not shown), which likely reverse causality (i.e., plans tend to shrink as they prepare to close).

Table 11. Annual rates at which New and Established Large Plans Ceased Filing, by Plan Size (2016-2020)

BOY plan participants	New Plans		Established Plans	
	Mixed or self-insured	Fully insured	Mixed or self-insured	Fully insured
100-199	19.2%	16.9%	11.2%	10.1%
200-499	14.2%	10.5%	7.3%	6.8%
500-999	11.5%	13.9%	6.2%	5.6%
1,000-1,999	9.9%	11.7%	5.5%	5.8%
2,000-4,999	6.6%	14.5%	4.8%	5.1%
5,000+	10.4%	15.8%	3.9%	4.2%
Total	15.1%	15.1%	7.2%	8.2%

Source: Form 5500 large health plan filings.

In conclusion, large plans on net switched away from fully insured, thereby increasing the fraction of participants in mixed-funded or self-insured plans. Moreover, large fully insured plans were more likely to cease filing than large mixed-funded or self-insured plans. While the overall result was to increase the share of participants with some element of self-insurance, the result was a modest with only 0.6 percentage point more participants in plans with a self-insured component in 2020 than in 2016.

Stop-Loss Coverage of Large Plans

Table 12 examines the presence of stop-loss insurance for large plans. These figures must be interpreted with caution. First, stop-loss insurance only needed to be reported on the Form 5500 Schedule A if the health plan was the beneficiary and/or the insurance was purchased with plan assets.³³ However, if the employer/sponsor purchased stop-loss insurance with itself as the beneficiary (rather than the plan), then it need not be reported on the Form 5500. Second, Table 12 is based on the "Stop loss (large deductible)" benefit type reported on Schedule A, but that benefit type may reflect a health insurance contract with a high deductible rather than stop-loss insurance. External studies indicate that Table 12 understates the prevalence of stop-loss insurance.³⁴

³³ The analysis of stop-loss coverage excludes Form 5500-SF filings because Schedule A was not required to be attached to the Form 5500-SF.

³⁴ Our 2012 report, *Anomalies in Form 5500 Filings: Lessons from Supplemental Data for Group Health Plan Funding*, that as many as four out of five self-insured or mixed-funded plans and roughly 55% of participants in such plans were covered by stop-loss insurance, possibly purchased for the benefit of the plan sponsor. These stop-loss coverage levels are consistent with those in the 2013 KFF/HRET study. More recent KFF studies (2021 Employer Health Benefits Survey) documented that, in larger firms, 59% of participants in self-funded plans were in a plan that had purchased stop-loss insurance in 2018 and that figure was 61% in 2020. We note that stop-loss insurance reported on a Form 5500 filing does not necessarily relate to health benefits but could protect other self-insured benefits, such as disability benefits.

Table 12. Percentage of Large Health Plans Reporting Stop-Loss Insurance by Funding Mechanism and Statistical Year

Statistical year	Large Plans		Participants	
	Mixed	Self-insured	Mixed	Self-insured
2011	21.2%	26.6%	15.5%	13.6%
2012	20.1%	26.2%	14.0%	13.5%
2013	19.1%	25.7%	14.2%	13.4%
2014	18.2%	26.2%	14.7%	19.5%
2015	18.8%	25.4%	15.5%	19.4%
2016	18.9%	24.7%	15.5%	19.1%
2017	18.6%	23.2%	15.7%	18.6%
2018	17.3%	22.6%	13.8%	18.9%
2019	17.3%	22.2%	14.4%	18.5%
2020	16.9%	21.8%	8.7%	17.8%

Source: Form 5500 large health plan filings.
Reflects stop-loss coverage as reported on Form 5500.

In 2020, 16.9% of mixed-funded and 21.8% of self-insured large plans reported stop-loss coverage on a Schedule A, down from 2011 rates of 21.2% and 26.6%, respectively. Weighted by the number of participants, 8.7% of mixed-funded and 17.8% of self-insured large plans reported stop-loss coverage for 2020, indicating that smaller plans were more likely to report stop-loss insurance than larger plans (also see Figure 10 below).³⁵ Between 2019 and 2020 a single large Mixed plan with more than 1.5 million participants no longer listed stop-loss coverage, contributing to the fall of the Mixed group to 8.7%. The participant-weighted figures are historically more volatile than unweighted figures, mostly because a single, very large, self-insured plan reported stop-loss insurance in 2014–2020, but not in prior years.

Table 13 shows the annual per-person cost for large plans of stop-loss coverage, calculated as the ratio of premiums to “number of persons covered” by the stop-loss policy on Schedule A—both the premium and the number of people covered thus refer to the stop-loss policy only and not to the overall plan. The numbers are not adjusted for inflation. These results should also be interpreted with caution because the Form 5500 filing contained no information on attachment points or other stop-loss policy features that may reflect the amount of coverage provided by the policies.³⁶

³⁵ The annual KFF Survey collects information about stop-loss coverage, including for the benefit of the plan sponsor. From KFF 2020 Employer Health Benefits Survey, weighted by workers covered by self-insured health plans, for large firms, stop-loss coverage was 59% in 2013, 64% in 2014, 59% in 2015, 56% in 2016, 58% in 2017, 59% in 2018 and 61% in 2020. For small firms, stop-loss coverage was 73% in 2013, 79% in 2014, 68% in 2015, 76% in 2016, 73% in 2017, 89% in 2018 and 70% (estimated) in 2020.

³⁶ Per-person premiums were calculated from Schedules A that specified stop-loss coverage only or in combination with health benefits. Approximately 15% of such Schedules A specified additional benefits (e.g., prescription drugs in addition to stop-

Table 13. Per Person Annual Premiums for Stop-Loss Insurance (Large Plans)

Year	Mixed			Self-insured		
	25th pct	Median	75th pct	25th pct	Median	75th pct
2011	\$1,805	\$2,507	\$3,121	\$247	\$846	\$2,015
2012	\$2,239	\$2,811	\$3,602	\$642	\$1,335	\$2,030
2013	\$1,952	\$2,745	\$3,626	\$853	\$1,469	\$2,192
2014	\$1,972	\$2,831	\$3,715	\$1,075	\$1,733	\$2,439
2015	\$1,509	\$2,610	\$3,715	\$900	\$1,526	\$2,450
2016	\$2,556	\$3,337	\$4,652	\$1,108	\$2,038	\$3,039
2017	\$2,328	\$3,158	\$4,407	\$1,198	\$2,302	\$3,154
2018	\$2,441	\$3,440	\$4,312	\$1,394	\$2,636	\$3,486
2019	\$2,509	\$3,875	\$4,601	\$1,622	\$2,849	\$3,700
2020	\$2,387	\$3,297	\$4,919	\$1,718	\$2,940	\$4,038

Source: Form 5500 small health plan filings.

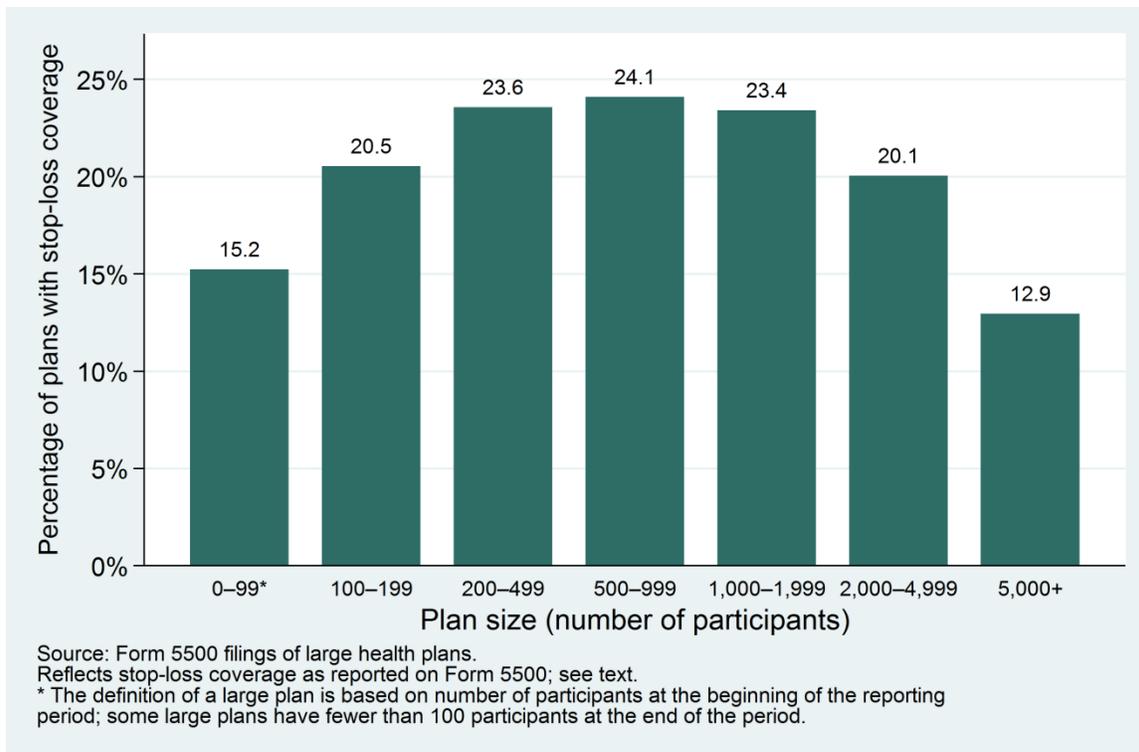
Reflects stop-loss coverage as reported on Form 5500.

Figure 10 shows the rate of stop-loss coverage among large self-insured plans by plan size at the end of the year.³⁷ Stop-loss coverage increased with plan size, measured at end of year, up to 500–999 participants and decreased with plan size among larger plans. Lower stop-loss coverage for smaller plans was not consistent with the notion that smaller plans faced greater financial risks and should thus be more likely to purchase stop-loss coverage. Part of the explanation may relate to the fact that stop-loss coverage with the sponsor (rather than the plan) as beneficiary need not be reported on Form 5500; smaller employers may be more likely to designate the firm as the beneficiary than larger employers. The lower prevalence of stop-loss insurance among smaller large plans may also reflect market realities: insurance companies may not offer stop-loss insurance to small employers, or offer it only at very high prices. While the 2019 KFF Survey did not publish details on stop-loss coverage, the 2018 and 2020 KFF Surveys also documented lower stop-loss coverage rates among very large plans than among mid-sized plans.

loss and health). The per-person premium may thus reflect stop-loss coverage for benefits in addition to health benefits. Separately, since the analysis is based on “Stop loss (large deductible)” benefits reported on Schedule A, it may include high-deductible health contracts rather than just stop-loss policies. However, even at the 75th percentile, the average premium, \$1,331 per person per year in 2020, was well below market rates for high-deductible health plans, suggesting this potential issue does not substantially affect the results. According to the 2020 KFF Survey, the average premium for single coverage on high-deductible health plans was \$7,464 in 2020.

³⁷ The corporate determination of whether to purchase stop-loss coverage may be influenced by both the company’s knowledge of where plan size is likely to move by the end of the year and the counts at the beginning of year.

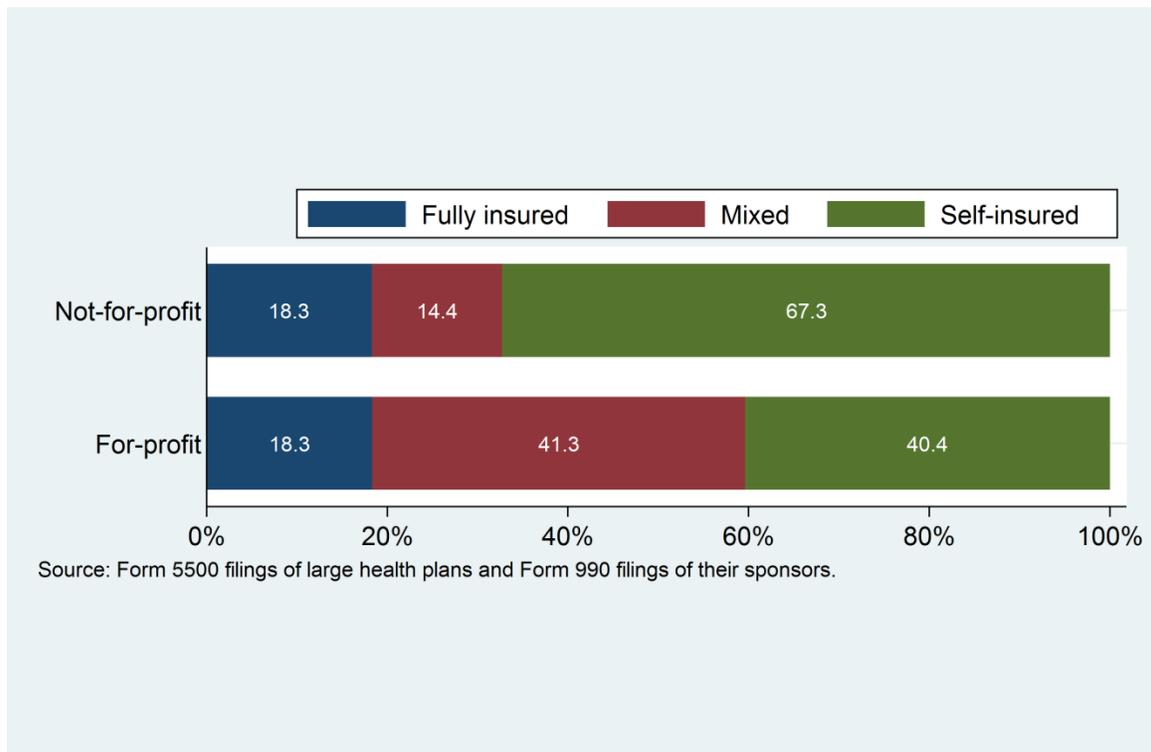
Figure 10. Self-Insured Large Health Plans' Rate of Stop-Loss Coverage, by Plan Size (2020)



Funding Mechanisms and Financial Metrics

As described above, we matched the Form 5500 health plan data to Form 990 filings to identify whether a health plan sponsor was a for-profit or a not-for-profit entity. We found about one-in-six large plans (16.6%) were sponsored by a not-for-profit entity. These plans covered approximately the same percentage of participants. Figure 11 presents the participant-weighted breakdown in funding status for for-profit and not-for-profit firms. The two groups both had 18% of participants in fully insured plans. They differed mostly in mixed-funding and self-insurance: 67.3% of participants in not-for-profit entity plans were covered by a self-insured plan, compared with 40.4% of participants in for-profit firms' plans. Conversely, mixed funding was far less prevalent at not-for-profit entities than at for-profit firms. It appears that the differences were not driven by plan sizes, because the distribution of plan size was similar at not-for-profit entities and for-profit firms (not shown).

Figure 11. Participant-Weighted Distribution of Funding Mechanism, by For-Profit and Not-for-Profit Sponsors of Large Plans (2020)



Focusing on the subset of Form 5500 large health plan filers that were matched to financial information in Bloomberg, Table 14 presents 2020 information on company size as measured by revenue, market capitalization, profit, and number of employees (and the number of observations on which each calculation is based). The table shows that, among these large firms, companies offering fully insured health plans tended to be smaller than companies with self-insured or mixed-funded health plans. Companies offering mixed-funded health plans tended to be the largest.

Table 14. Characteristics of Companies Matched to Form 5500 Health Plan Filings, by Funding Mechanism (2020)

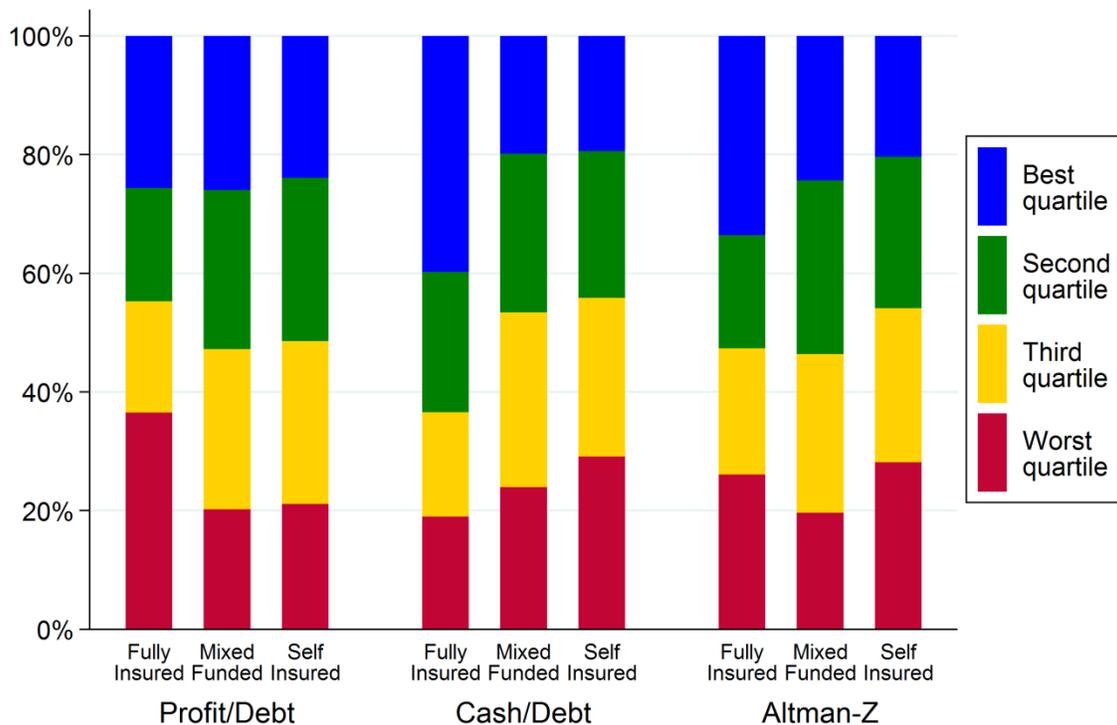
		All	Fully insured	Mixed	Self-insured
Revenue (\$ millions)	25 pct	476	123	1,700	743
	Median	2,070	442	4,690	2,520
	75 pct	10,000	2,430	16,500	10,100
	# Obs	3,390	929	907	1,554
Market capitalization (\$ millions)	25 pct	955	411	2,460	1,140
	Median	4,190	1,760	8,250	4,350
	75 pct	19,400	7,310	32,900	19,500
	# Obs	3,051	832	850	1,369
Profit (\$ millions)	25 pct	-29	-41	-39	-11
	Median	61	9	167	86
	75 pct	511	140	871	562
	# Obs	3,284	907	902	1,475
Number of employees	25 pct	1,376	320	4,488	1,838
	Median	6,105	1,023	13,450	6,802
	75 pct	25,000	8,615	46,000	26,000
	# Obs	3,012	804	846	1,362

Source: Form 5500 large health plan filings and Bloomberg data.

Figure 12 presents three metrics of the financial health of matched companies: the ratio of profit to total debt, the ratio of cash and cash equivalent holdings to total debt, and the Altman Z-Score.³⁸ For all three, higher values better financial health. We grouped all matched plans into quartiles; Figure 12 shows the share of fully insured, mixed-funded, and self-insured large plans in each quartile. Consider the ratio of profit to total debt. If financial health were unrelated to funding mechanisms, all bars would be approximately equal-sized. Instead, 36.5% of fully insured sponsors were in the bottom quartile, compared with 20.2% of mixed-funded and 21.1% of self-insured sponsors; see the red bars in the bottom-left portion of Figure 12. Based on how frequently their ratios of profit to total debt were in the bottom quartile, mixed-funded and self-insured companies thus appear to be in better financial health by this metric than fully insured companies.

³⁸ The Altman Z-Score is an index summarizing five financial measures that are used to predict bankruptcy risk; see footnote 13 on page 10. A Z-Score greater than 2.99 is considered the "safe" zone, between 1.80 and 2.99 is the "grey" zone, and less than 1.80 is the "distress" zone. The 25th percentile of Altman Z-Scores of plan sponsors in our analysis was 1.53, i.e., all companies in the bottom quartile and some in the third quartile were considered to be in the "distress" zone. For details, see E.I. Altman (1968). "Financial Ratios, Discriminant Analysis and the Prediction of Corporate Bankruptcy." *Journal of Finance* 23(4): 589-609.

Figure 12. Financial Health of Companies Matched to Form 5500 Health Plan Filings, by Funding Mechanism (2020)



Source: Form 5500 filings of large health plans, Bloomberg

The results are mixed for the other two metrics of financial strength. The ratio of cash holdings to total debt suggests that sponsors of fully insured plans were in better financial health than sponsors of mixed-funded and self-insured plans, while the Altman Z-Score ranks sponsors of fully insured and self-insured plans lower than sponsors of mixed-funded plans. In short, there is no consistent evidence that mixed-funded or self-insured sponsors were in better or worse financial health than fully insured sponsors in this set of 6% of the plan sponsors whose financial data we have obtained. These findings are generally consistent with those in prior reports. Finally, as in prior years, fully insured plans showed a wider dispersion of financial health (as measured by the share of plans in the bottom and top quartiles combined) than mixed-funded and self-insured plans.

Table 15 shows the percentages and sample sizes corresponding to Figure 12.

Table 15. Financial Health of Companies Matched to Form 5500 Health Large Plan Filings, by Funding Mechanism (2020)

		All	Fully insured	Mixed	Self-insured
Profit over total debt	Best quartile	25.0%	25.6%	26.0%	23.9%
	Second quartile	25.0%	19.1%	26.9%	27.5%
	Third quartile	25.0%	18.7%	27.0%	27.5%
	Worst quartile	25.0%	36.5%	20.2%	21.1%
	# Obs	3,166	854	890	1,422
Cash (equivalent) holdings over total debt	Best quartile	25.0%	39.8%	19.9%	19.4%
	Second quartile	25.0%	23.6%	26.7%	24.8%
	Third quartile	25.0%	17.6%	29.4%	26.7%
	Worst quartile	25.0%	19.0%	24.0%	29.1%
	# Obs	3,284	880	901	1,503
Altman Z-Score	Best quartile	25.0%	33.6%	24.4%	20.4%
	Second quartile	25.0%	19.1%	29.2%	25.5%
	Third quartile	25.0%	21.2%	26.7%	26.0%
	Worst quartile	25.1%	26.1%	19.6%	28.1%
	# Obs	2,538	655	759	1,124

Source: Form 5500 large health plan filings and Bloomberg data.
Percentages may not sum to 100% due to rounding.

5. SMALL GROUP HEALTH PLANS

As discussed above, small plans (those with less than 100 participants at the beginning of the year) that filed a Form 5500 or 5500-SF were a select subset of all small plans in the United States because group health plans with fewer than 100 participants that were not MEWAs generally were required to file a Form 5500 only if they used a trust or a separately maintained fund to hold plan assets (or act as a conduit for the transfer of plan assets), which is often associated with self-insurance.

Aside from amended filings and filings with zero participants at both the beginning and the end of the reporting period, there were 18,374 filings of small plans that reported covering health benefits in 2020. Filings were excluded if (1) the filing was followed by another filing of the same plan for a later period in the same year (59 filings in 2020), (2) a Form 5500 was filed even though the plan was exempt from filing (1,504 filings in 2020), or (3) the plan name suggested that it did not offer health benefits that were the subject of the ACA (2 filings in 2020). There were no GIA filings with fewer than 100 participants. This section focuses on the remaining 16,809 small plans. They covered about 220,000 participants at the end of the plan year. As noted before, most small plans in the United States were not required to file a Form 5500 and, therefore, were not included in this analysis. Figure 3 (on page 7) and Table 2 (on page 8) document the number of small plans and their participants for 2011–2020.

Most (88.8%) of the 16,809 small plans filed a Form 5500-SF rather than the Form 5500.

Funding Mechanism

As expected, based on Form 5500 filing requirements, only 1.0% of small plans were classified as fully insured (Table 16). Presumably, these plans used their trust as a conduit for premium payments. A large majority (97.2%) was self-insured, and 1.7% were mixed-funded.

Table 16. Distribution of Funding Mechanism for Small Plans (2020)

	Small Plans		Participants	
	Number	Percent	Number	Percent
Fully insured	171	1.0%	7,358	3.3%
Mixed	294	1.7%	11,902	5.4%
Self-insured	16,344	97.2%	200,691	91.2%
Total	16,809	100.0%	219,951	100.0%

Source: Form 5500 small health plan filings.

Percentages may not sum to 100% due to rounding.

Weighted by plan participants at the end of the plan year, 3.3% of small-plan participants were in a fully insured plan, 91.2% in a self-insured plan, and 5.4% in a mixed-funded plan.

The MEPS-IC survey estimated that between 13.1% and 17.6% of private-sector establishments with fewer than 100 employees self-insured at least one plan in 2020, compared with 98.9% of small plans that filed a Form 5500 or Form 5500-SF.

This large discrepancy underscores the selective nature of small plans that filed a Form 5500.

Figure 13 shows the funding mechanism distribution for small health plans by statistical year for 2011–2020; see Table 17 and Table 18 for the underlying percentages, plan counts, and participant counts. The fraction of small plans with a self-insured component generally increased from 90.1% in 2011 to 97.2% in 2020. Weighted by participants, the trend was subject to volatility because the definition of a small plan is based on having less than 100 employees at the beginning of the year, while counts of participants are at the end of the year, where some plans may have grown significantly.

Figure 13. Distribution of Funding Mechanism among Small Plans, by Statistical Year

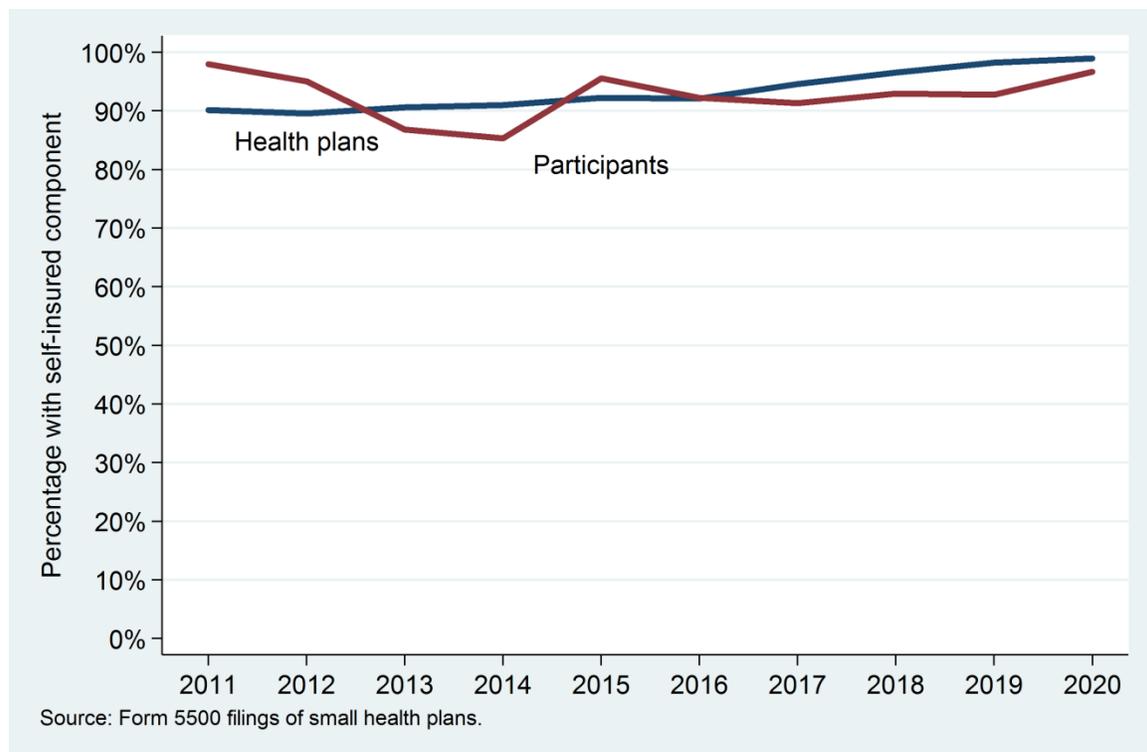


Table 17. Distribution of Funding Mechanism for Small Plans, by Statistical Year

Statistical year	Small Plans			Participants		
	Fully insured	Mixed	Self-insured	Fully insured	Mixed	Self-insured
2011	9.9%	7.8%	82.3%	2.0%	71.1%	26.9%
2012	10.4%	7.3%	82.3%	5.0%	14.8%	80.3%
2013	9.4%	8.0%	82.6%	13.2%	32.8%	54.0%
2014	9.0%	7.6%	83.5%	14.7%	10.8%	74.5%
2015	7.8%	12.1%	80.1%	4.4%	60.7%	34.8%
2016	7.9%	5.7%	86.4%	7.7%	9.8%	82.5%
2017	5.4%	4.5%	90.1%	8.7%	7.3%	84.1%
2018	3.5%	4.1%	92.4%	7.0%	10.4%	82.6%
2019	1.8%	2.8%	95.5%	7.2%	5.3%	87.5%
2020	1.0%	1.7%	97.2%	3.3%	5.4%	91.2%

Source: Form 5500 small health plan filings.
Percentages may not sum to 100% due to rounding.

Table 18. Number of Small Plans and Their Participants, by Funding Mechanism and Statistical Year

Statistical year	Small Plans			Participants		
	Fully insured	Mixed	Self-insured	Fully insured	Mixed	Self-insured
2011	262	207	2,187	9,949	348,109	131,501
2012	259	182	2,049	9,016	26,746	145,496
2013	221	189	1,948	22,157	55,053	90,660
2014	214	180	1,988	37,488	27,572	189,934
2015	225	351	2,325	11,476	157,612	90,408
2016	229	164	2,507	8,852	11,209	94,447
2017	198	166	3,315	10,841	9,104	105,108
2018	180	213	4,776	11,821	17,435	138,643
2019	167	260	9,023	11,445	8,401	138,399
2020	171	294	16,344	7,358	11,902	200,691

Source: Form 5500 small health plan filings.

We reiterate that the *distribution* of funding mechanism among small plans that filed a Form 5500 does not reflect that of small plans nationwide because the analysis generally included small plans only if they operated a trust. If small plans complied with Form 5500 filing requirements, the data does provide information about the *numbers* of small self-insured and mixed-funded plans that operated a trust (Table 18). The numbers likely underestimate self-insurance among small plans nationwide because self-insured plans may pay benefits from general assets rather than via a trust. At the same time the percentage of small firms in the Form 5500 population that are self-insured is an over-estimate of that found in the general population because small firms were generally only required to file if they are trusts, which is

generally associated with self-insurance. Under the assumption that the fraction of self-insured small plans that operated a trust was approximately constant, the plan counts may be compared over time, across industries, et cetera. In that light, the main conclusion of this section is that the number of self-insured small plans was roughly constant from 2011 to 2014, and has increased rapidly between 2014 and 2020. The number of small plans that are self-insured has increased by almost 80 percent in both 2019 and 2020. This is an important trend involving over 200,000 participants by 2020. This increase is driven to a great extent by small plans participating in non-plan MEWAs. The trend in mixed-funded small plans has been more volatile.

The numbers of participants covered by self-insured or mixed-funded small plans need to be interpreted subject to the caveat that participants are counted as of the end of the reporting period, and small plans may cover many participants at the end of the reporting period. Specifically, some new plans reported zero participants at the beginning of the reporting period and many at the end. The resulting aggregate participant counts are volatile, as illustrated in Figure 3 (page 7) and Table 18.

Funding Mechanisms by Industry

Table 19 shows the number of small plans and the participants they covered by funding mechanism and industry, as identified by the business code provided on Form 5500 filings. More than half of small self-insured plans and participants were in the services and construction sectors, with manufacturing and finance/insurance/real estate the next industries based on plan counts and participants.

Table 19. Number of Small Plans and Their Participants, by Funding Mechanism and Industry (2020)

	Small plans			Participants		
	Fully insured	Mixed	Self-insured	Fully insured	Mixed	Self-insured
Agriculture	1	4	366	3	85	1,965
Mining	1	4	70	29	36	1,276
Construction	49	32	2,300	1,680	873	31,270
Manufacturing	15	46	1,704	515	1,645	25,038
Transportation	6	9	450	207	439	6,586
Communications & information	6	6	556	416	3,067	5,520
Utilities	4	3	116	209	174	2,786
Wholesale trade	0	11	1,134	0	317	13,053
Retail trade	7	19	1,222	266	534	21,403
Finance, insurance, real estate	20	29	1,716	1,416	1,020	18,682
Services	50	122	6,203	1,682	3,451	67,834
Misc. organizations	12	9	506	935	261	5,273
Industry not reported	0	0	1	0	0	5
Total	171	294	16,344	7,358	11,902	200,691

Source: Form 5500 small health plan filings.

Small Plans by Life Cycle Stage

Unlike large plans, small plans that were (or switched to) fully insured often would not file a Form 5500. Typically, only those small plans that have trusts or MEWAs would file. The data therefore does not support an analysis of small plans' funding mechanisms over the life cycle. Instead, Table 20 presents the number of plans that were new, established, or ceased filing in each year from 2011 to 2020.³⁹

Table 20. Number of Small Plans, by Lifecycle Stage and Statistical Year

Statistical year	New	Established	Ceased filing*	Total
2011	224	2,188	399	2,811
2012	140	2,167	345	2,652
2013	186	1,974	307	2,467
2014	300	1,927	226	2,453
2015	593	1,983	479	3,055
2016	514	2,136	432	3,082
2017	1,066	2,384	395	3,845
2018	1,804	3,085	499	5,388
2019	4,776	4,239	730	9,745
2020	7,854	8,144	1,248	17,246

* Includes plans that last filed the previous year; see text.

Source: Form 5500 small health plan filings.

The total number of small plans in Table 20 exceeds the number of small plan filings because plans were considered to have ceased filing in year t if they filed a Form 5500 in year $t-1$ without indicating that it would be their final filing, and did not file in year t .

Table 21 shows the funding distribution of new small plans in 2020. Of the 7,854 new plans, only 0.2% were fully insured, 0.5% were mixed-funded, and 99.3% were self-insured. The new small plans covered about 88,184 participants of whom 1.6% were in a fully insured plan, 5.0% in a mixed-funded plan, and 93.4% in a self-insured plan.

³⁹ As many as 1,248 small plans were considered to have ceased filing in 2020, far more than in previous years. This is due to an apparent filing error by plans that participated in a certain MEWA. Almost all their filings responded affirmatively to Form 5500-SF, line 13b ("Were all the plan assets distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?").

Table 21. Funding Distribution of New Small Plans (2020)

	Small Plans		Participants	
	Number	Percent	Number	Percent
Fully insured	15	0.2%	1,375	1.6%
Mixed	43	0.5%	4,419	5.0%
Self-insured	7,796	99.3%	82,390	93.4%
Total	7,854	100.0%	88,184	100.0%

Source: Form 5500 small health plan filings.

Stop-Loss Coverage of Small Plans

Table 22 shows the fraction of mixed-funded or self-insured small plans that reported stop-loss coverage. The table is based on the subset of small plans that filed a Form 5500 rather than a Form 5500-SF, because Form 5500-SF does not ask about stop-loss insurance.⁴⁰

Table 22. Fraction of Small Health Plans Reporting Stop-Loss Insurance, by Funding Mechanism and Statistical Year

Statistical year	Small Plans		Participants	
	Mixed	Self-insured	Mixed	Self-insured
2011	48.3%	12.6%	2.2%	9.9%
2012	45.6%	19.7%	17.1%	9.8%
2013	47.1%	18.9%	9.3%	14.7%
2014	53.3%	23.4%	27.1%	8.8%
2015	70.1%	29.0%	3.7%	27.0%
2016	45.7%	30.7%	32.9%	33.3%
2017	48.8%	33.0%	52.2%	35.7%
2018	37.1%	34.4%	70.8%	28.0%
2019	32.7%	38.6%	45.3%	42.7%
2020	33.0%	41.9%	53.4%	46.0%

Source: Form 5500 small health plan filings.

Reflects stop-loss coverage as reported on Form 5500.

Subject to the caveat that stop-loss coverage was underreported on Form 5500 filings (see page 31), 33% of small mixed-funded plans and 41.9% of small self-insured plans indicated having purchased stop-loss insurance in 2020. Small mixed-funded plans have generally become less likely over time to report stop-loss coverage, whereas small self-insured plans have become more likely.

⁴⁰ In 2020, 294 mixed-funded small plans and 1,426 self-insured small plans filed a Form 5500 rather than a Form 5500-SF. The corresponding numbers in prior years were at least 164 and 972, respectively.

Table 22 also reports participant-weighted rates of stop-loss coverage. These rates were volatile, mostly because some small plans covered many participants at the end of the reporting period.

Table 23 shows the annual per-person cost of stop-loss coverage for small plans, calculated in the same way and subject to the same caveats as for large plans (see pages 32).⁴¹ The median per-person stop-loss premiums for small plans were substantially higher than those for large plans (Table 13), presumably because the volatility of medical expenses is greater for small plans than for large plans. Of course, overall stop-loss premiums and costs may interact with the amounts at which deductibles and copays (“attachment points”) are set within plans and how they change over time. These attachment points may be evolving differently for small plans than large plans.

Table 23. Per-Person Annual Premiums for Stop-Loss Insurance (Small Plans)

Year	Mixed-funded			Self-insured		
	25th pct	Median	75th pct	25th pct	Median	75th pct
2011	\$1,805	\$2,507	\$3,121	\$247	\$846	\$2,015
2012	\$2,239	\$2,811	\$3,602	\$642	\$1,335	\$2,030
2013	\$1,952	\$2,745	\$3,626	\$853	\$1,469	\$2,192
2014	\$1,972	\$2,831	\$3,715	\$1,075	\$1,733	\$2,439
2015	\$1,509	\$2,610	\$3,715	\$900	\$1,526	\$2,450
2016	\$2,556	\$3,337	\$4,652	\$1,108	\$2,038	\$3,039
2017	\$2,328	\$3,158	\$4,407	\$1,198	\$2,302	\$3,154
2018	\$2,441	\$3,440	\$4,312	\$1,394	\$2,636	\$3,486
2019	\$2,509	\$3,875	\$4,601	\$1,622	\$2,849	\$3,700
2020	\$2,387	\$3,297	\$4,919	\$1,718	\$2,940	\$4,038

Source: Form 5500 small health plan filings.

Reflects stop-loss coverage as reported on Form 5500.

Funding Mechanisms and Financial Metrics

As described above, we matched the Form 5500 health plan data to Form 990 filings to identify whether a health plan sponsor was a for-profit or a not-for-profit entity. Among the sponsors of small plans, 6.9% were found to be not-for-profit entities. These plans covered 10.1% of participants. Table 24 shows the number of small plans and the participants they covered in for-profit and not-for-profit entities.

⁴¹ The distributions are calculated over small mixed-funded and self-insured plans that filed a Form 5500 (as opposed to a Form 5500-SF) and reported stop-loss coverage. In 2020, there were 294 and 1,426 such plans, respectively. In other years, the distributions were calculated based on at least 75 and 152 plans, respectively.

Table 24. Number of Small Plans and Their Participants, by Funding Mechanism and For-Profit Status (2020)

	Small plans			Participants		
	Fully insured	Mixed	Self-insured	Fully insured	Mixed	Self-insured
For-profit	149	259	15,233	5,791	10,665	181,369
Not-for-profit	22	35	1,111	1,567	1,237	19,322
Total	171	294	16,344	7,358	11,902	200,691

Source: Form 5500 large health plan filings, Form 990 filings

As noted on page 11 only 32 sponsors of small plans were matched to Bloomberg data. Almost all appeared to be large companies that sponsored multiple health plans, including a small one. We did not compare financial health of fully insured, mixed-funded, and self-insured small plans because of the low number and unusual nature of small-plan sponsors for which financial information was available.

6. GROUP INSURANCE ARRANGEMENTS

The analysis above excludes GIAs because GIAs are not group health plans. However, they may be of interest for their role in securing employer-sponsored health benefits. A GIA provides benefits to the employees of two or more unaffiliated employers (not in connection with a multiemployer plan or a collectively bargained multiple-employer plan), fully insures one or more welfare plans of each participating employer, uses a trust or other entity as the holder of the insurance contracts, and uses a trust as the conduit for payment of premiums to the insurance company (2020 Instructions for Form 5500). Welfare plans that use a GIA to provide benefits do not have to file a Form 5500 as long as the GIA files. By definition, GIAs are fully insured.

For 2020, 37 arrangements covering about 312,000 participants filed a Form 5500 as a GIA, compared with 57,245 large group health plans that covered 78.2 million participants. GIAs tend to be larger than group health plans. For example, 86.5% of GIAs covered 500 or more participants, compared with 27.8% of large group health plans.

GIAs further differ from group health plans in their distribution of industry sectors. Perhaps due to the diversity of their contributing employers, as many as 35.1% of GIAs reported a "Miscellaneous" industry or none at all. Also 35.1% were active in the finance, insurance, and real estate sector, and their participants accounted for 65.0% of all GIA participants, compared with just 10.3% of large group health plans and 10.7% of participants in such plans.

7. CONCLUSION

The ACA was enacted in 2010 and has brought about far-reaching changes to health care financing and coverage. This report and its counterparts from prior years aim to monitor any changes in employer-sponsored health benefit coverage and its funding mechanism that employers have made in the first few years since the ACA became law. While we identified several time trends, with the exception of the increase in self-funding by small plans, the changes tended to be moderate, generally started prior to 2010, and largely flattened out in recent years.

The number of health plans that filed a Form 5500 continued to grow but the number of participants that they covered fell between 2019 and 2020; i.e., there was no indication that employers were dropping health benefit coverage, but the number of participants per filing plan fell. We note that most small health benefit plans were exempt from filing a Form 5500, so no conclusions should be drawn based on this report with respect to the number of small employers that offered health benefits or the number of participants they covered.

Among large plans, the overall distribution of funding mechanism was largely unchanged from 2019. At the plan level, self-insurance or mixed-funding increased by 0.4 percentage points to 44.9%. At the participant level, self-insurance or mixed-funding increased slightly from 81.0% in 2019 to 81.7% in 2020. The data offer little insight into the funding distribution among small plans. However, the number of self-insured or mixed-funded small plans that filed a Form 5500 increased substantially between 2019 and 2020. Most of that increase is due to small plans that appear to participate in a non-plan MEWA.

For large plans, the observed trend in reported from 5500 data toward less stop-loss coverage may be flattening. Among mixed-funded large plans, stop-loss coverage declined slightly at 16.9% in 2020, while among self-insured large plans there was a slight decrease to 21.8% in 2020 from 22.2% in 2019. It is unclear whether these findings reflect trends in overall stop-loss coverage—Form 5500 filings are known to be an incomplete source of information about stop-loss coverage. Insofar reported, stop-loss coverage was much greater for small plans than for large plans. Among mixed-funded small plans, stop-loss coverage increased slightly from 32.7% in 2019 to 33.0% in 2020. Among self-insured small plans, stop-loss coverage continued an upward trend, from 38.6% in 2019 to 41.9% in 2020.

Small plans filing Form 5500 increased by 78% from 9,450 in 2019 to 16,809 in 2020, covering about 220,000 participants. This increase follows an even larger percentage increase (88%) in the number of small plans filing between 2018 and 2019.

Overall, the Form 5500, despite some known limitations, continues to be a useful data source to better understand the type and range of health benefits that employers provide to American workers. The relatively long history of these data can help frame important policy debates surrounding these benefits. It can be anticipated that future versions of this report will continue to document these important trends.

TECHNICAL APPENDIX

The definitions of funding mechanism rely upon the fields of Form 5500 and its Schedules as outlined in Table 1.

Table 1. Data Fields Used to Determine Plan Funding Type

Source	Description
Form 5500, Line 5; Form 5500-SF, Line 5a	Total number of participants at the beginning of the plan year
Form 5500, Line 6d; Form 5500-SF, Line 5b	Number of participants at the end of the plan year who are active, retired, separated, or retired/separated and entitled to future benefits
Form 5500, Line 9a	The "funding arrangement" is the method for the receipt, holding, investment, and transmittal of plan assets prior to the time the plan actually provides benefits. Plan funding arrangement (check all that apply) <ol style="list-style-type: none"> 1. Insurance 2. Section 412(e)(3) insurance contracts 3. Trust 4. General assets of the sponsor
Form 5500, Line 9b	The "benefit arrangement" is the method by which the plan provides benefits to participants. Plan benefit arrangement (check all that apply) <ol style="list-style-type: none"> 1. Insurance 2. Section 412(e)(3) insurance contracts 3. Trust 4. General assets of the sponsor
Schedule A, Line 1e	Approximate number of persons covered at the end of the plan year
Schedule A, Line 2a	Total amount of commissions paid
Schedule A, Line 2b	Total fees paid
Schedule A, Line 3e	Organization code of agents, brokers, or other persons to whom commissions or fees were paid: <ol style="list-style-type: none"> 1. Banking, Savings & Loan Association, etc. 2. Trust Company 3. Insurance Agent or Broker 4. Agent or Broker other than insurance 5. Third party administrator 6. Investment Company/Mutual Fund 7. Investment Manager/Adviser 8. Labor Union 9. Foreign entity 0. Other
Schedule A, Line 6b	Premiums paid to carrier

Source	Description
Schedule A, Line 8	Type of benefit and contract types: A. Health (other than dental or vision), I. Stop loss (large deductible), J. HMO contract, K. PPO contract, L. Indemnity contract, M. Other and other codes for dental, vision, life, disability, etc. More than one code may be checked
Schedule A, Line 8m	Description of "Other" benefit and contract type
Schedule A, Line 9a(4)	Total earned premium amount for experience-rated contracts
Schedule A, Line 9b(3)	Incurred claims
Schedule A, Line 9b(4)	Claims charged
Schedule A, Line 9e	Dividends or retroactive rate refunds due
Schedule A, Line 10a	Total premiums or subscription charges paid to carrier for nonexperience-rated contracts
Schedule H, Line 2e	Benefit payment and payments to provide benefits: 2e(1) Directly to participants or beneficiaries, including direct rollovers 2e(2) To insurance carriers for the provision of benefits 2e(3) Other 2e(4) Total benefit payments
Schedule I, Line 2e; Form 5500-SF, Line 8d	Benefits paid (including direct rollovers)

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